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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

SACRAMENTO DIVISION

In re: CITY OF STOCKTON, CALIFORNIA, Debtor.	Case No. 2012-32118 D.C. No. OHS-15 Chapter 9
WELLS FARGO BANK, NATIONAL ASSOCIATION, FRANKLIN HIGH YIELD TAX-FREE INCOME FUND, AND FRANKLIN CALIFORNIA HIGH YIELD MUNICIPAL FUND, Plaintiffs, v. CITY OF STOCKTON, CALIFORNIA, Defendant.	**EXHIBITS D THROUGH G TO THE DIRECT TESTIMONY DECLARATION OF PATRICK B. BOCASH IN SUPPORT OF CONFIRMATION OF FIRST AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF CITY OF STOCKTON, CALIFORNIA (NOVEMBER 15, 2013)**[1] Adv. No. 2013-02315 Date: May 12, 2014 Time: 9:30 a.m. Dept: Courtroom 35 Judge: Hon. Christopher M. Klein

[1] While this declaration is made in support of confirmation of the Plan, out of an abundance of caution, and because the evidentiary hearing on Plan confirmation and the trial in the adversary proceeding share common issues, it is being filed in both in the main case and the adversary proceeding.

Exhibit D

ORIGINAL

Filed DEC 12 2006
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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN JOAQUIN

UNLIMITED CIVIL JURISDICTION

CITY OF STOCKTON, Plaintiff, vs. ALL PERSONS INTERESTED IN THE MATTER OF THE ISSUANCE AND SALE OF BONDS FOR THE PURPOSE OF REFUNDING CERTAIN OBLIGATIONS OWED BY THE CITY OF STOCKTON TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER THE PUBLIC EMPLOYEES' RETIREMENT LAW, AND ALL PROCEEDINGS LEADING THERETO, INCLUDING THE ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SUCH BONDS, Defendants.	No. CV030753 MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF PLAINTIFF'S APPLICATION FOR ENTRY OF DEFAULT JUDGMENT IN VALIDATION PROCEEDINGS (C.C.P. § 860-870) Attached Documents: <u>Ex. A</u> Actuarial Report – Safety Plan (2007-08) <u>Ex. B</u> Actuarial Report – Miscellaneous Plan (2007-08) [Fee Exemption: Govt. Code § 6103]

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Mumford, Advance Refunding of Voted Bonds, 9:2 Municipal Finance Journal 95 (Spring 1988)

Martin v. Fisher, 108 Cal. App. 34, 40, 291 P. 276 (1930), overruled on other grounds, 18 Cal. 3d 187, 554 P. 2d 321 (1976)

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Walters, 61 Cal. App. 3d at 468

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CHARTERS

Charter of the City of Stockton, §§ 2600 et seq.

I. INTRODUCTION

Plaintiff, the City of Stockton (the "City"), brings this action under Code of Civil Procedure Sections 860 *et seq.* to validate proceedings relating to the issuance of Bonds the proceeds of which will be used to refund the City's obligation to pay certain retirement benefits under the City Charter and under California Government Code Sections 20000 through 21612 (the "Retirement Law"), the execution and delivery of an indenture of trust and other related agreements and contracts authorized or contemplated by the City Council of the City, and the adoption of a resolution pertaining thereto.

Pursuant to Code of Civil Procedure Section 861 and this Court's Order Of Publication of Summons and Other Notice In Validation Action herein, jurisdiction over defendants, all persons interested in these proceedings, has been obtained by publication of Summons in *The Record* and by posting a copy of the summons in the City of Stockton City Hall. No answer to the Complaint was filed within the statutory, court-ordered time limit. Accordingly, Plaintiff seeks entry of a default judgment.

II. FACTUAL BACKGROUND

A. Retirement System

The City is a charter city, and is required under Section 2600 of its Charter to "provide a retirement and death benefit plan for officers and employees of the City." Section 2601 of the City Charter provides that "the City Council may provide for such a plan by participation in any retirement and death benefit plan now existing or hereafter created under the laws of the State of California which municipalities and municipal officers and employees are eligible to join." These provisions of the City Charter were approved by the voters of the City at an election held October 8, 1935, and have been in effect for nearly 70 years.

The City currently provides retirement benefits for its employees through membership in the Public Employees' Retirement System (the "Retirement System") which is established under the Retirement Law. Pursuant to Sections 2600 and 2601 of the City Charter and Section 20460 of the Retirement Law, the City has elected to participate in the Retirement System by entering into a contract with the Board of Administration of the Retirement System (the "Board") effective September 1, 1944, as amended. A true and correct copy of such contract (the "PERS Contract") is attached to the Complaint as Exhibit A and by this reference incorporated herein.

The Retirement Law and the PERS Contract require the City to make periodic contributions in order to fund the pension benefits to which City employees are entitled under the Retirement Law and the PERS Contract. As provided in Section 20466 of the Retirement Law, an approximate rate of contribution is quoted in the PERS Contract, subject to adjustment from time to time by the Board, based on actuarial valuations.

The basic contributions which the City is required to make to PERS in order to fully fund the retirement benefits which are and will be payable to its covered employees are defined in the Retirement Law as "normal contributions." Normal contributions are required to be made "at the normal rates of contribution fixed by the law, by contract, or by contract amendment."[1] The rate of normal contributions is determined in accordance with Sections 20670 *et. seq.* of the Retirement Law in the case of contributions required to be made by the individual employees and Sections 20790 et. seq. in the case of contributions required to be made by the public employers, and apply uniformly to all contracting members. The rate of normal contributions is subject to periodic change on an annual basis by the Board, based on actuarial valuations of the liability for benefits on account of the employees of all public employers.[2] In addition, a covered employee is granted the right to make "additional contributions" for the purpose of funding certain elective benefits which are chosen by such employee.[3]

To the extent that the contributions of a particular public agency are determined to be insufficient to fully fund the retirement benefits which will be payable to a public agency's employees, based on actuarial calculations, such public agency is required to pay an additional contribution based on the "unfunded accrued actuarial liability" of such public agency (the "Unfunded Liability"). Each public agency is required to amortize its Unfunded Liability through periodic payments over a period not to exceed 30 years.[4] Interest accrues on the Unfunded Liability at a rate set from time to time by the Board.

The current method of amortization adopted by the Board is a 30-year rolling amortization, and as a result of such method, the City's actuarially required employer contributions do not result in any amortization of principal.

According to the most recent Actuarial Report provided to the City by PERS, the City's total combined rolled forward amount of Unfunded Liability will be $158,473,946 as of June 30, 2007. See Exhibits A and B, Actuarial Valuations for Miscellaneous and Safety Plans as of June 30, 2005, which are incorporated herein by reference. Interest accrues on the Unfunded Liability at a rate of 7.75%, which is the current rate adopted by PERS for such purpose.

On September 26, 2006, the City Council of the City adopted the Resolution (attached to the Complaint as Exhibit C) which authorized the City to issue Bonds for the purpose of refunding the obligation of the City, evidenced by the PERS Contract, to pay the Unfunded Liability. Complaint at Paragraph 7.

The plan of financing adopted in the Resolution is intended to save the City a substantial amount of money without diminishing the retirement benefits provided to City employees. As described above, the City will be obligated to pay 7.75% interest per annum on its Unfunded Liability under the Retirement Law. It is expected that the Bonds, the proceeds of which will be used to help fund retirement benefits, will be issued as a combination of variable and/or fixed interest rates resulting in an estimated all-in true interest cost rate of 5.47% per annum based on current market conditions. The estimated net present value savings to the City's general fund is expected to be approximately $9,458,511.

III. THIS ACTION IS PROPERLY BROUGHT UNDER CODE OF CIVIL PROCEDURE SECTIONS 860 ET SEQ. AND GOVERNMENT CODE SECTIONS 53511 AND 53589.5.

Code of Civil Procedure Section 860[5] authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. In the instant case, Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness" and Government Code Section 53589.5 authorizes a local agency to bring a validation action "to determine the validity of any issuance or proposed issuance of refunding bonds" and any agreement entered into in connection therewith. For the reasons discussed below, the City submits that these statutory requirements are met.

Since Government Code Sections 53510 and 53570 each define a "local agency" to include any "city," Plaintiff City of Stockton is a proper party authorized to bring this validation action. Moreover, all of the documents and transactions which are the subject of this action are the type authorized to be validated under Government Code Sections 53511 and 53589 since they constitute evidences of indebtedness, contracts or obligations of the City or are refunding bonds and agreements relating thereto.[6]

IV. THE CITY HAS THE POWER TO AUTHORIZE THE BONDS, THE INDENTURE OF TRUST AND ANY RELATED AGREEMENTS.

The city council of a city is the sole governing body with authority to perform those acts necessary to fully discharge the duties of the legislative authority of the City government. Consequently, the City Council has the authority to provide for the issuance and sale of the Bonds and the execution and delivery of the related agreements including, inter alia, an Indenture of Trust which specifies the terms and conditions upon which the Bonds are to be issued, by adoption of the Resolution, so long as the transactions contemplated therein are within the power of the City. Since, as demonstrated below, such power does in fact exist, the Bonds, the above-mentioned Indenture of Trust and any related agreements are valid and will become legal and binding obligations of the City upon issuance or execution and delivery of the same.

Government Code Section 20812 specifies that the Unfunded Liability of a public agency to the Retirement System shall be amortized over a period not to exceed thirty years, and the City Council is required by the provisions of Government Code Section 20532 to pay amounts determined to be due and owing, including amounts necessary to amortize the Unfunded Liability.[7]

California courts frequently defer to the judgment of a governing body of a public agency with respect to a determination that a particular action is necessary to the full discharge of such public agency's duties.[8] See, e.g., Long Beach v. Lisenby, 180 Cal. 52, 60-61, 179 Page 198 (1919) (determination of the method by which an outstanding indebtedness shall be funded is within the discretion of the governing body of the municipality); H.D. Haley & Co., 70 Cal. App. at 442 (in the exercise of their powers, supervisors are necessarily endowed with a large amount of discretion). California courts also have stated that a city council has considerable discretion, within constitutional limits, in the exercise of its powers with respect to the budget. See Hicks, 69 Cal. App. 3d at 235.

In the instant case, the City has an obligation under its City Charter and under the statutory provisions of the Retirement Law to make contributions to the Retirement System. City Charter Sections 2600 and 2601; Gov't Code Section 20532. The Board, acting pursuant to the directives contained in the City Charter and the Retirement Law, defines the terms of the City's obligation, e.g., the amount of Unfunded Liability which is being financed, the term over which it will be financed, the rate of interest which accrues on the unpaid balance of the Unfunded Liability, and the schedule of each individual payment.

The City is not creating any additional indebtedness by its issuance of the Bonds but is simply changing the form and clarifying the terms of a pre-existing obligation and, in the case of the Bonds, the terms of the repayment obligation.

The City is explicitly authorized by statute to issue the Bonds for the purpose of refunding obligations such as the Unfunded Liability. Section 53583 of the Government Code provides that "Any local agency may issue bonds pursuant to this article or any revenue bond law under which the local agency is otherwise authorized to issue bonds for the purpose of refunding any revenue bonds of the local agency." The term "revenue bonds" is defined to mean "[b]onds, warrants, notes, or other evidence of indebtedness of a local agency payable from funds other than the proceeds of ad valorem taxes or the proceeds of assessments levied without limitation as to rate or amount by the local agency upon property in the local agency." Gov't Code Section 53570(b). The Unfunded Liability is an evidence of indebtedness of the City which is not payable from ad valorem taxes or property assessments, although such taxes and assessments may constitute one of the sources of payment, and the Bonds will be issued to refund the Unfunded Liability. These provisions, therefore, authorize the City to issue the Bonds for the purpose refunding the Unfunded Liability.

Thus, it is clear that the City, through its City Council, has the express power to issue the Bonds and enter into the Indenture of Trust, and the implied power to enter into the related agreements which constitute the mechanism by which the City is exercising its power to satisfy its obligation with respect to the Unfunded Liability.

V. THE CONSTITUTIONAL DEBT LIMITATION IS INAPPLICABLE.

A. The Unfunded Liability Is An Obligation Imposed By Law.

The California Constitution restricts the power of certain local government entities to incur debts without the express approval of the electorate. Cal. Const. Art. XVI, Section 18.[9] Judicial interpretation, however, has narrowed the applicability of Article XVI, Section 18 by creating several exceptions to the constitutional debt limitation.

In Lewis v. Widber, 99 Cal. 412, 33 P. 1128 (1893), the California Supreme Court held that where the City of San Francisco had depleted its revenues for the current fiscal year, payment of a public officer's final month's salary out of the next year's revenues would not violate the constitutional debt limitation. The court concluded that the debt limitation did not apply to payments of debts when both the existence of the obligation and statutory guidance as to its payment are provided by state law, since the Constitutional debt limitation was intended to apply to volitional incurrence of obligations and not an obligation which is imposed by an legislative body other than the one incurring the indebtedness.[10]

Subsequent courts have extended the exception to the debt limitation created in Lewis. See e.g., Lotts v. Board of Park Commissioners, 13 Cal. App. 2d 625, 57 P. 2d 215 (1936) (debt limitation did not bar the city parks department from paying a judgment for back wages since the salary owed was not a debt which could be incurred at the discretion of the board); Compton Community College Fed'n of Teachers v. Compton Community College Dist., 165 Cal. App. 3d 82, 93, 211 Cal. Rptr. 231 (1985) (payment of a retroactive salary increase agreed to in collective bargaining negotiations was not barred by the constitutional debt limitation since the district "had a specific duty to employ the teachers needed to provide education to its citizens and to pay them according to a set salary schedule.");[11] Wright v. Compton Unified Sch. Dist., 46 Cal. App. 3d 177, 120 Cal. Rptr. 115 (1975) (constitutional debt limitation did not bar payment of legal services by a school district for defending its employees in a defamation action because the district had a statutory duty to provide a defense for its employees to civil actions brought against them arising from acts within the scope of their employment).

As demonstrated below, in the instant case the City has the duty to provide pension and other retirement benefits for its employees. By accepting the Retirement Law as the statutory scheme under which it satisfies that duty, it has specific duties, detailed by the Retirement Law, to carry out such obligations. In other words, the obligation of the City under the Retirement Law did not arise as a volitional act of the City, but rather was the method chosen by the City to fulfill its duty to its employees to provide pension and other retirement benefits.

The City is obligated to provide retirement benefits to City employees under the express provisions of Section 2600 of the City Charter, which was enacted by the voters of the City at an election held on October 8, 1935. Section 2600 of the City Charter provides as follows: "The City Council shall provide for a retirement and death benefit plan for officers and employees of the City."

Additionally, in enacting the Retirement Law the legislature expressly acknowledged a public obligation to provide retirement benefits to City employees.[12] This obligation also flows directly from the duty of the City to provide various services to its constituents and the necessity to hire employees to carry out such functions. See Compton, 165 Cal. App. 3d at 86-87; Lotts, 13 Cal. App. 2d at 635.

The California Supreme Court has recognized both the importance of providing retirement benefits to public employees and the fact that such benefits are as necessary as public employment itself. See Carman v. Alvord, 31 Cal. 3d 318, 325 n. 4, 182 Cal. Rptr. 506 (1982);[13] Bellus v. City of Eureka, 69 Cal. 2d 336, 351, 71 Cal. Rptr. 135 (1968); Packer v. Board of Retirement, 35 Cal. 2d 212, 215, 217 P. 2d 660 (1950).

In accordance with Section 2601 of the City Charter, the City Council of the City of Stockton has chosen the Retirement Law as the mechanism for meeting its obligations to its employees. All public agencies which are members of the Retirement System have statutorily-imposed obligations to pay the contributions levied under the Retirement Law to ensure the continuing viability of the Retirement System. Moreover, following the lead of the Supreme Court in Lewis, the appellate courts have indicated they will permit an exception to the debt limitation in those cases involving the obligation of local government entities to pay the compensatory obligations owed their employees. See Lotts, 13 Cal. App. 2d at 635 and Compton, 165 Cal. App. 3d at 86-87; but see Martin v. Fisher, 108 Cal. App. 34, 40, 291 P. 276 (1930), overruled on other grounds, 18 Cal. 3d 187, 554 P. 2d 321 (1976).

In the instant case, the legislature has set forth an extensive statutory plan for carrying into effect the public obligation to establish the Retirement System and that plan provides precise statutory directives. This express statutory scheme, combined with the obligation imposed by law to make appropriations to fund retirement benefits (City Charter §2600; Gov't Code §20532), and the basic obligation to provide for retirement benefits in such a plan, provides more than a sufficient basis for exemption from the debt limitation here.

The Unfunded Liability is an obligation imposed by law, and that also is true of any obligations such as the Bonds issued to refund the Unfunded Liability.

The amount of the Unfunded Liability is based upon a variety of assumptions and evaluations utilized by an actuary in designating the amount. Under Section 20532 of the Government Code, the amount of the actual contributions of a public agency to the Retirement System is based upon actuarial valuations made from time to time. All such actuarial assumptions and evaluations are estimates and may change from year to year based upon changes in mortality and investment assumptions. Accordingly, the amount of Unfunded Liability is determined by an actuarial valuation pursuant to the Retirement Law and as such is an obligation imposed by law, even though the amount may subsequently change based upon actuarial evaluations of the City's actual and projected experience.

B. <u>The Bonds Are Obligations Imposed By Law.</u>

The California Supreme Court's holding in <u>Long Beach</u> v. <u>Lisenby</u>, supports the conclusion that the Bonds, as well as the Unfunded Liability as described above, also are exempt from the debt limitation.

In <u>Lisenby</u>, the City of Long Beach issued warrants for the payment of tort judgments (which the Court determined to be obligations imposed by law) and thereafter adopted an ordinance authorizing the issuance of bonds to refund the outstanding indebtedness of the City evidenced by the warrants. The court upheld the City's action, concluding that the issuance of bonds to pay outstanding debts merely represented the conversion of the debt into "a more permanent form with an extended time payment." Long Beach, 180 Cal. at 59; accord, City of Los Angeles v. Teed, 112 Cal. 319, 327, 44 P. 580 (1896) (Dicta).

Here, the City has incurred indebtedness in the form of the Unfunded Liability, which qualifies as an obligation imposed by law. The Bonds will have a cash flow requirement that is not greater than the Unfunded Liability and merely represent the conversion of that indebtedness into another form with perhaps a different payment term and similarly qualify as obligations imposed by law.

In addition, the Bonds take on other characteristics of the Unfunded Liability. As the court concluded in Teed, "[a] bond is not an indebtedness or liability -- it is only the evidence or representative of an indebtedness ...." Teed, 112 Cal. at 327. With the issuance of the Bonds, the City has not satisfied its obligations under City Charter and the Retirement Law, it has simply changed the form of its obligation. The characteristics of the indebtedness remain the same and are transferred to the Bonds.

The provisions of Government Code Section 53552, relating to the refunding of voter-approved general obligation bonds, illustrates that a refunding instrument (i.e., the Bonds) even in a greater principal amount, or for a different duration, or both, is still an obligation imposed by law if the total amount payable thereunder is less than the total amount currently payable on account of the Unfunded Liability. There, it is provided that refunding bonds may be issued without additional voter approval, if the sum of total net interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the sum of total net interest cost to maturity on the bonds to be refunded, plus the principal amount of the bonds to be refunded. In other words, if the amount the taxpayers are obligated to pay <u>after</u> refunding is not greater than before, the obligation is one that has <u>already</u> been approved, notwithstanding a change if form of the obligation.

In the case of the Bonds, the overall payments on account of debt service on the Bonds, inclusive of financing costs, based on the average of the fixed interest rate on the fixed rate Bonds and historical interest rates for the variable interest rate Bonds, will be less than the amount of the Unfunded Liability, plus interest thereon at the current actuarial rate of 7.75% per annum, for the remaining amortization period of the Unfunded Liability. It is this amount that is the obligation imposed by law.

In the Indenture of Trust, the City has authorized the Bond trustee to enforce the City's obligations under the Retirement Law for the benefit of the holders of the Bonds. Complaint, Exhibit D. To conclude that the Bonds do not, in essence, mirror or reflect the Unfunded Liability would be to find that the Bonds constitute a new or different obligation of the City and would directly contradict the court's finding in <u>Teed</u> that "a mere change in the form of the <u>evidence</u> of indebtedness is not the creation of a new indebtedness." <u>Teed</u>, 112 Cal. at 327.

VI. THE REQUISITE PROCEDURES UNDER CODE OF CIVIL PROCEDURE SECTIONS 860 ET SEQ. HAVE BEEN SATISFIED, AND ENTRY OF A DEFAULT JUDGMENT IS MERITED.

On October 23, 2006, this Court issued its Order pursuant to Section 861 of the California Code of Civil Procedure requiring that Plaintiff serve Defendants herein by: (a) publication of the Summons in *The Record* for three successive weeks, (b) posting a copy of the Summons in a public place within the boundaries of City of Stockton, and (c) mailing copies of the Summons and Complaint to those persons, if any, or their attorneys of record who, not later than December 15, 2006, which is 10 days after such publication is complete, either have expressly notified in writing Plaintiff's attorneys of record of their interest in this matter or have filed and served actions against Plaintiff challenging, inter alia, the validity of the Resolution.

These notification procedures satisfy the requirements of the validation statutes. Cal. Code Civ. Proc. §861. Despite these various efforts to notify interested persons, no pleading of any type was filed within the statutory, court-ordered time limit.

Therefore, this Court's jurisdiction is complete. As stated in California Code of Civil Procedure Section 862:

> Jurisdiction shall be complete after the date specified in the summons. Any party interested may, not later than the date specified in the summons, appear and contest the legality or validity of the matter sought to be determined.

The present validation proceeding is expressly provided for by the Code of Civil Procedure Sections 860, et seq. and Government Code sections 53510 et seq. and similar proceedings have been approved in analogous cases. See, e.g., Graydon v. Pasadena Redevelopment Agency, 104 Cal. App. 3d 631, 645-46, 164 Cal. Rptr. 56, cert. denied, 449 U.S. 983 (1980) (upholding local agency construction contract against attack in light of validation action time limits); Walters, 61 Cal. App. 3d at 468, supra. Therefore, this Court's jurisdiction is complete and default judgment is warranted.

DATED: December 20, 2006

COURTNEY L. JONES, ESQ.
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Attorneys for Plaintiff

By ______________________
Courtney L. Jones, Esq.

FOOTNOTES

[1] Government Code Section 20053.

[2] Government Code Section 20814.

[3] Government Code Sections 20710 et. seq.

[4] Government Code Section 20812.

[5] Code of Civil Procedure Section 860 authorizes a public agency "upon the existence of any matter which under any other law is authorized to be determined pursuant to this chapter, and for 60 days thereafter, [to] bring an action in the superior court of the City in which the principal office of the public agency is located to determine the validity of such matter."

[6] The related documents for which validation is brought are contracts or obligations of the City directly related to the City's financial obligations and thus inclusion also is appropriate for them under Government Code Sections 53511 and 53589.5. A "contract" under Government Code Section 53511 is limited to those agreements relating to a local agency's financial obligations or its ability to meet those obligations. Ontario v. Superior Court of San Bernardino County, 2 Cal. 3d 335, 344, 85 Cal. Rptr. 149 (1970). See also, Walters v. County of Plumas, 61 Cal. App. 3d 460, 132 Cal. Rptr. 174 (1976] (only contracts relating to the local agency's financial obligations or the marketability of its instruments for financing its obligation are within the terms of 53511).

[7] Government Code Section 5025 provides that "The contracting agency shall make such contribution for its employees in this system, as is recommended by the actuary and approved by the board and certified by it to the contracting agency."

[8] Generally, courts decline to defer to a legislative body's judgment where: (i) the legislative body's actions are not within or closely related to the types of functions traditionally performed by counties, e.g., Byers v. Board of Supervisors, 262 Cal. App. 2d 148, 160, 68 Cal. Rptr. 549 (1968); (ii) there was an impermissible delegation of duties required to be performed by the City, e.g., Tax Factors, Inc. v. County of Marin, 20 Cal. App. 2d 79, 85, 66 P. 2d 666 (1937); or (iii) the City was intruding into areas subject to the control and jurisdiction of others, e.g., Hicks v. Board of Supervisors, 69 Cal. App. 3d 228, 241, 138 Cal. Rptr. 101 (1977).

[9] Article XVI, Section 18 sets forth: "No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for that year, without the assent of two-thirds of the voters thereof, voting at an election to be held for that purpose. . . ."

[10] "The clear intent expressed in the [constitutional debt limitation] was to limit and restrict the power of the municipality as to any indebtedness or liability which it has discretion to incur or not to incur. But the stated salary of a public officer fixed by statute is a matter over which the municipality has no control, and with respect to which it has no discretion; and the payment of his salary is a liability established by the legislature at the date of the creation of the office. It, therefore, is not

an indebtedness or liability incurred by the municipality within the meaning of .... the constitution." Lewis, 99 Cal. at 413.

[11] In Compton, the court concluded that under the Lotts decision discussed above, all public employee salaries are exempt from the constitutional debt limitation. Compton, 165 Cal. App. 3d at 96.

[12] "The purpose of this part is to effect economy and efficiency in the public service by providing a means whereby employees who become superannuated or otherwise incapacitated may, without hardship or prejudice, be replaced by more capable employees, and to that end provide a retirement system consisting of retirement compensation and death benefits."

[13] "Pensions are a government obligation of great importance. They help induce faithful public service and provide agreed subsistence to retired public servants who have fulfilled their employment contracts." Carman, 31 Cal. 3d at 325 n.4, citing Bellus v. City of Eureka, infra.

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CalPERS
Actuarial Office
P.O. Box 1494
Sacramento, CA 95812
Telecommunications Device for the Deaf - (916) 795-3240
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August 30, 2006

SAFETY PLAN OF THE CITY OF STOCKTON (EMPLOYER # 55)
Annual Valuation Report as of June 30, 2005

Dear Employer,

Enclosed please find a copy of the June 30, 2005 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since Prior Year's Valuation

There may be changes specific to your plan such as contract amendments and funding changes.

In lieu of sending employer contributions on a reportable payroll cycle, Public Agencies can now prepay their annual required contributions. With this report, we have added a line entitled "Annual Prepayment Option". The discounted amounts payable under this option are shown on Page 5 for the 2006/2007 and 2007/2008 fiscal years.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2007/2008 along with an estimate of the contribution rate and the probable Superfunded status for 2008/2009. The estimated rate for 2008/2009 is based solely on a projection of the investment return for fiscal 2005/2006, namely 11%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2007/2008	31.725%	NO
2008/2009	31.3% (projected)	NO

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2008/2009 also assumes that there are no future amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate by one or two percent, even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2008/2009 is just an estimate. Your actual rate for 2008/2009 will be provided in next year's report.

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,

Ronald L. Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
Enrolled Actuary
Chief Actuary, CalPERS

ACTUARIAL VALUATION
as of June 30, 2005

for the
SAFETY PLAN
of the
CITY OF STOCKTON
(EMPLOYER # 55)

REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2007 - June 30, 2008

CalPERS

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the SAFETY PLAN OF THE CITY OF STOCKTON. This valuation is based on the member and financial data as of June 30, 2005 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The below listed are actuaries for CalPERS. All are members of the American Academy of Actuaries and Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Bill Karch, A.S.A., M.A.A.A.
Associate Pension Actuary, CalPERS

Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
Enrolled Actuary
Chief Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **PURPOSE OF THE REPORT**
- **REQUIRED CONTRIBUTIONS**
- **FUNDED STATUS**
- **COST AND VOLATILITY**
- **CHANGES SINCE THE PRIOR VALUATION**
- **SUBSEQUENT EVENTS**

Purpose of the Report

This report presents the results of the June 30, 2005 actuarial valuation of the SAFETY PLAN OF THE CITY OF STOCKTON of the California Public Employees' Retirement System (CalPERS). The valuation was performed by CalPERS staff actuaries in order to:

- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2005;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2007 through June 30, 2008 is 31.725%;
- provide actuarial information as of June 30, 2005 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2005 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

Use of this report for other purposes may be inappropriate.

Required Contributions

	Fiscal Year 2006/2007	Fiscal Year 2007/2008
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 9,639,824	$ 10,300,189
Payment on the Amortization Bases	6,319,792	6,574,947
Total (not less than zero)	$ 15,959,616	$ 16,875,136
Annual Prepayment Option*	$ 15,374,953	$ 16,256,934
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	19.412%	19.364%
Payment on the Amortization Bases	12.726%	12.361%
Total (not less than zero)	32.138%	31.725%
Required Employee Contributions (Percentage)	9.000%	9.000%

Funded Status

	June 30, 2004	June 30, 2005
Present Value of Projected Benefits	626,916,248	668,642,101
Entry Age Normal Accrued Liability	504,302,910	536,142,694
Actuarial Value of Assets (AVA)	401,037,576	428,574,694
Unfunded Liability	$ 103,265,334	$ 107,568,000
Funded Status (on an AVA basis)	79.5%	79.9%
Market Value of Assets (MVA)	$ 395,438,386	$ 443,374,386
Funded Status (on an MVA basis)	78.4%	82.7%
Superfunded Status	No	No

*Payment must be received by CalPERS between July 1 and July 15.

Cost and Volatility

Actuarial Cost Estimates In General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future.

- There are demographic assumptions about the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- There are economic assumptions about future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized each year as we go forward. For example, the assumption for investment return is 7.75% per year. The actual asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1% while the 15 year compound return has been 9.7%.

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost (i.e., Accrued Liability – representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period. So, the employer rate can be computed in many different ways depending on how long one will take to pay for it. And as the first point above states; all of these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, the actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year to year differences between actual experience and the assumptions are called actuarial gains and losses and serve to raise or lower the employer's rates from year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Plans that have higher asset to payroll ratios produce more volatile employer rates. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. We are disclosing the ratio of accrued liability to payroll, rather than assets to payroll because the desired state for any plan is to be 100% funded (i.e., with assets equal to accrued liability). It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

Beginning with the June 30, 2004 actuarial valuation, rate stabilization methodologies were implemented. Although there is no method that can provide perfectly stable rates, the new methods have been shown to be very effective in mitigating rate volatility. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process. In most situations, the new rate stabilization policies will reduce rate volatility due to actual gains and losses by about 50%.

	As of June 30, 2005
Accrued Liability	536,142,694
Payroll	48,325,899
Volatility Index	11.1
Average Volatility Index for All Plans with 3.0% @ 50 Safety Retirement Formula*	9.3

* Includes pooled and non-pooled plans

Changes Since Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

There were no changes in actuarial methods since the prior year's actuarial valuation.

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation whose report is dated after the amendment becomes effective.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any plan amendments on the unfunded liability is shown in the GAIN/LOSS ANALYSIS section and the effect on your employer contribution rate is shown in the RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. It should be noted that no change in liability or rate is shown for any plan changes which were already included in the prior year's valuation.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- ROLL FORWARD OF UNFUNDED LIABILITIES
- SCHEDULE OF AMORTIZATION BASES
- (GAIN) / LOSS ANALYSIS
- DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1	Present Value of Projected Benefits	
	a) Active Members	$ 335,897,787
	b) Transferred Members	3,156,985
	c) Terminated Members	3,817,409
	d) Members and Beneficiaries Receiving Payments	325,769,920
	e) Total	668,642,101
2	Present Value of Future Employer Normal Costs	89,761,950
3	Present Value of Future Employee Contributions	42,737,457
4	Entry Age Normal Accrued Liability	
	a) Active Members [(1a) - (2) - (3)]	203,398,380
	b) Transferred Members	3,156,985
	c) Terminated Members	3,817,409
	d) Members and Beneficiaries Receiving Payments	325,769,920
	e) Total	536,142,694
5	Actuarial Value of Assets	428,574,694
6	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]	107,568,000

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Roll Forward of Unfunded Liabilities

There is a two year lag between the Valuation Date and the Contribuion Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date (June 30, 2005).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2007-2008).

This two year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determined by multiplying the rate by the expected payroll for the applicable fiscal year.

Retirement Program

1.	Employer Contribution Rate for 2005/2006 from 6/30/2003 Valuation[1]		34.714%
2.	Projected Annual Payroll for 2005/2006 from 6/30/2005 Valuation[2]	$	49,896,491
3.	Employer Contribution Rate for 2006/2007 from 6/30/2004 Valuation[1]		32.138%
4.	Projected Annual Payroll for 2006/2007 from 6/30/2005 Valuation[2]	$	51,518,127
5.	Projected Annual Payroll for 2007/2008 from 6/30/2005 Valuation[2]	$	53,192,466
6.	Employer Normal Cost Rate from 6/30/2005 Valuation		19.364%
7.	6/30/2005 Unfunded Liability	$	107,568,000
8.	Expected Employer Normal Cost for 2005/2006 = (6) x (2)		9,661,957
9.	Expected Employer Contribution = (1) x (2)		17,321,068
10.	Expected Payment on Unfunded Liability = (9) – (8)		7,659,111
11.	Expected Interest on (7) and (10) at 7.75% assuming mid-year payments of contributions		8,045,268
12.	6/30/2006 Expected Unfunded Liability = (7) - (10) + (11)		107,954,157
13.	Expected Employer Normal Cost for 2006-2007 = (6) x (4)	$	9,975,970
14.	Expected Employer Contribution = (3) x (4)		16,556,896
15.	Expected Payment on Unfunded Liability = (14) - (13)		6,580,926
16.	Expected Interest on (12) and (15) at 7.75%		8,116,196
17.	6/30/2007 Rolled Forward Unfunded Liability = (12) - (15) + (16)		109,489,427

[1]An adjustment has been made in cases where there was an amendment during the year to reflect the partial year's payment for the amendment.

[2]Annual payroll is assumed to increase by 3.25% each year.

Schedule of Amortization Bases

The schedule below shows the development of the "Payment on the Amortization Bases" shown in the REQUIRED CONTRIBUTIONS and DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. This payment represents the employer contribution toward the Unfunded Liability. Each row of the schedule gives a brief description of a base (or portion of the Unfunded Liability), the date the base was established, the original amount, and the number of years from June 30,2007 to the final payment (Amortization Period). The balance of the base is then shown for the year immediately following the valuation date and the expected payment and projected base are shown for the next two fiscal years. The last year shown is the one for which rates are established in this report. The total expected payments for the fiscal years 2005/2006 and 2006/2007 are the fiscal years' expected payrolls multiplied by the difference between the fiscal years' total employer rate percentage and the June 30, 2005 employer normal cost percentage. The total payroll is expected to grow by 3.25% annually. Please see previous page and Appendix A for more detail, particularly for an explanation of how amortization periods are determined.

							Amounts for Fiscal 2007/2008		
Reason for Base	Date Established	Amorti-zation Period	Balance 6/30/05	Expected Payment 2005/2006	Balance 6/30/06	Expected Payment 2006/2007	Balance 6/30/07	Scheduled Payment for 2007/2008	Payment as Percent-age of Payroll
(GAIN)/LOSS	06/30/05	30	$118,218,233	$8,154,677	$118,915,372	$6,959,357	$120,907,314	$7,260,602	13.649%
PAYMENT (GAIN)/LOSS	06/30/05	30	$354,240	$205,418	$168,464	$289,917	$(119,421)	$(7,171)	(0.013%)
FRESH START	06/30/05	30	$(11,004,473)	$(700,984)	$(11,129,679)	$(668,348)	$(11,298,466)	$(678,484)	(1.276%)
TOTAL			**$107,568,000**	**$7,659,111**	**$107,954,157**	**$6,580,926**	**$109,489,427**	**$6,574,947**	**12.360%**

(Gain)/Loss Analysis 6/30/04 – 6/30/05

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

A Total (Gain)/Loss for the Year		
1. Unfunded Liability/(Excess Assets) as of 6/30/04	$	103,265,334
2. Expected Payment on the Unfunded Liability (UL) during 2004/2005		6,269,014
3. Interest through 6/30/05 [.0775 x (A1) – ((1.0775)^{½} - 1) x (A2)]		7,764,672
4. Expected UL before all other changes [(A1) – (A2) + (A3)]		104,760,992
5. Change in UL due to new plan changes		0
6. Change in UL due to change in actuarial methods		0
7. Change in UL due to additional contributions		0
8. Expected UL after all other changes [(A4) + (A5) + (A6) + (A7)]		104,760,992
9. Actual UL as of 6/30/05		107,568,000
10 Total (Gain)/Loss for 2004/2005 [(A9) – (A8)]	$	2,807,008
B Contribution (Gain)/Loss for the Year		
1. Expected Contribution	$	19,503,910
2. Expected Interest on Expected Contributions		741,675
3. Actual Contributions		19,761,442
4. Expected Interest on Actual Contributions		751,468
5. Contribution (Gain)/Loss [(B1) + (B2) – (B3) – (B4)]	$	(267,325)
C Asset (Gain)/Loss for the Year		
1. Actuarial Value of Assets as of 6/30/04	$	401,037,576
2. Contributions Received during 2004/2005		19,761,442
3. Benefits and Refunds Paid during 2004/2005		(24,136,063)
4. Transfers/Misc. Adjustments paid during fiscal 2004/2005		(57,263)
5. Expected Int. [.0775 x (C1) + ((1.0775)^{½} - 1) x ((C2) + (C3) + (C4))]		30,911,881
6. Expected Assets as of 6/30/05 [(C1) + (C2) + (C3) + (C4) + (C5)]		427,517,573
7. Actual Actuarial Value of Assets as of 6/30/05		428,574,694
8. Asset (Gain)/Loss for 2004/2005 [(C6) – (C7)]	$	(1,057,121)
D Liability (Gain)/Loss for the Year		
1. Total (Gain)/Loss (A10)	$	2,807,008
2. Contribution (Gain)/Loss (B5)		(267,325)
3. Asset (Gain)/Loss (C8)		(1,057,121)
4. Liability (Gain)/Loss [(D1) – (D2) – (D3)]	$	4,131,454
Development of the (Gain)/Loss Balance as of 6/30/05		
1. (Gain)/Loss Balance as of 6/30/04	$	112,572,236
2. Payment Made on the Balance during 2004/2005		5,669,756
3. Interest through 6/30/05 [.0775 x (1) – ((1.0775)$^{1/2}$ – 1) x (2)]		8,508,745
4. Scheduled (Gain)/Loss Balance as of 6/30/05 [(1) – (2) + (3)]	$	115,411,225
5. (Gain)/Loss for Fiscal Year ending 6/30/05 [(A10) above]		2,807,008
6. Final (Gain)/Loss Balance as of 6/30/05 [(4) + (5)]	$	118,218,233

Development of Required Employer Contributions

	Fiscal Year2007/2008		
	Percentage of Projected Payroll		**Estimated $ Based On Projected Payroll**
Employer Contribution Required			
Payment for Normal Cost	19.364%	$	10,300,189
Payment on Amortization Bases	12.361%		6,574,947
Total (not less than zero)	31.725%		16,875,136
Annual Lump Sum Prepayment Option*			16,256,934

*Prepayment must be received by CalPERS between July 1 and July 15.

Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll		**Estimated $ Based on Projected Payroll**
1	Contribution for 7/1/06 - 6/30/07	32.138%	$	15,959,616
2	Effect of changes since the prior valuation			
	a) Effect of unexpected changes in demographics and financial results	(0.434%)		(231,618)
	b) Effect of plan changes	0.000%		0
	c) Effect of elimination of amortization base	0.000%		0
	d) Effect of change in payroll	N/A		1,135,553
	e) Effect of changes in Actuarial Methods or Assumptions	0.000%		0
	f) Effect of changes due to additional contributions	0.000%		0
	g) Effect of changes due to Fresh Start	0.021%		11,585
	h) Net effect of the changes above [Sum of (a) through (g)]	(0.413%)		915,520
3	Contribution for 7/1/07 - 6/30/08 [(1)+(2h)]	31.725%		16,875,136

The contribution actually paid (item 1) may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

Employer Contribution Rate History

The table below provides a history of the employer contribution rates for your plan since July 1, 2005, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2005 – 2006	19.208%	15.506%	34.714%
2006 – 2007	19.412%	12.726%	32.138%
2007 – 2008	19.364%	12.361%	31.725%

Funding History

The Funding History below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/03	$ 473,038,190	$ 380,682,293	$ 92,355,897	80.5%	$ 43,816,129	210.8%
06/30/04	504,302,910	401,037,576	103,265,334	79.5%	45,115,799	228.9%
06/30/05	536,142,694	428,574,694	107,568,000	79.9%	48,325,899	222.6%

SUMMARY OF ASSETS

- RECONCILIATION OF THE MARKET VALUE OF ASSETS
- DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
- ASSET ALLOCATION

Reconciliation of the Market Value of Assets

1	Market Value of Assets as of June 30, 2004	$	395,438,386
2	Employer Contributions		14,958,864
3	Employee Contributions		4,802,578
4	Benefit Payments to Retirees and Beneficiaries		(24,053,515)
5	Refunds		(82,548)
6	Lump Sum Payments		0
7	Transfers and Miscellaneous Adjustments		(57,263)
8	Investment Return		52,367,884
9	Market Value of Assets as of June 30, 2005 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]	$	443,374,386

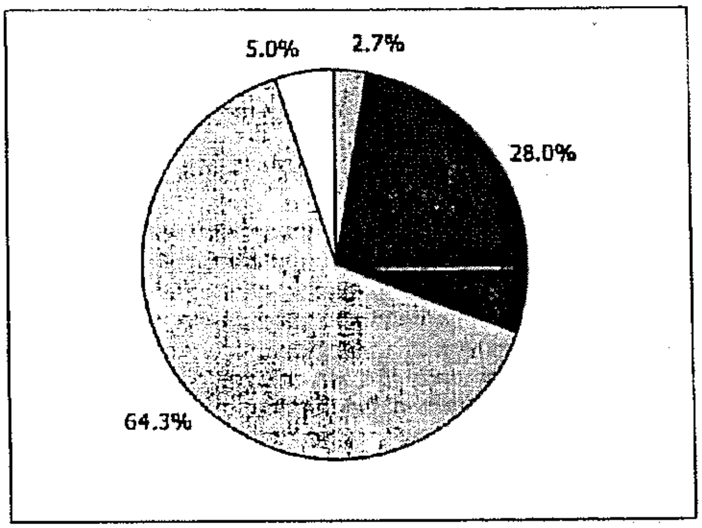
Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of June 30, 2004	$	401,037,576
2.	Employer Contributions		14,958,864
3.	Employee Contributions		4,802,578
4.	Benefit Payments to Retirees and Beneficiaries		(24,053,515)
5.	Refunds		(82,548)
6.	Lump Sum Payments		0
7.	Transfers and Miscellaneous Adjustments		(57,263)
8.	Expected Investment Income at 7.75%		30,911,881
9.	Expected Actuarial Value of Assets [(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8)]	$	427,517,573
10.	Market Value of Assets as of June 30, 2005	$	443,374,386
11.	Preliminary Actuarial Value of Assets [(9) + ((10) – (9)) / 15]		428,574,694
12.	Maximum Actuarial Value of Assets (120% of (10))		532,049,263
13.	Minimum Actuarial Value of Assets (80% of (10))		354,699,509
14.	Final Actuarial Value of Assets {Lesser of [(12), Greater of ((11), (13))]}	$	428,574,694
15.	Actuarial Value to Market Value Ratio		96.7%

Asset Allocation*

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entiretly as of June 30, 2005. The assets for CITY OF STOCKTON SAFETY PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	5.3	2.7%	0.0%
2) Total Global Fixed Income	54.3	28.0%	26.0%
3) Total Equities	124.6	64.3%	66.0%
4) Total Real Estate	9.6	5.0%	8.0%
Total Fund	193.8	100.0%	100.0%



* The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

SUMMARY OF PARTICIPANT DATA

- SUMMARY OF VALUATION DATA
- DISTRIBUTION OF ACTIVE MEMBERS
- DISTRIBUTION OF RETIRED MEMBERS AND BENEFICIARIES

Summary of Valuation Data

	June 30, 2004	June 30, 2005
1. Active Members		
a) Counts	605	631
b) Average Attained Age	38.48	38.22
c) Average Entry Age to Rate Plan	27.82	27.77
d) Average Years of Service	10.65	10.45
e) Average Annual Covered Pay	$ 74,572	$ 76,586
f) Annual Covered Payroll	45,115,799	48,325,899
g) Projected Annual Payroll for Contribution Year	49,659,099	53,192,466
h) Present Value of Future Payroll	438,910,074	474,860,788
2. Transferred Members		
a) Counts	60	66
b) Average Attained Age	41.44	41.84
c) Average Years of Service	2.71	2.38
d) Average Annual Covered Pay	69,360	$ 71,797
3. Terminated Members		
a) Counts	70	79
b) Average Attained Age	37.04	37.40
c) Average Years of Service	2.63	3.14
d) Average Annual Covered Pay	45,238	$ 46,822
4. Retired Members and Beneficiaries		
a) Counts	563	569
b) Average Attained Age	63.19	63.53
c) Average Annual Benefits	$ 39,874	$ 43,404
5. Active to Retired Ratio [1(a)/4(a)]	1.1	1.1

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Active Members

Distribution of Active Members by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	19	0	0	0	0	0	19
25-29	70	6	0	0	0	0	76
30-34	57	53	14	0	0	0	124
35-39	36	33	68	14	0	0	151
40-44	8	16	47	34	7	0	112
45-49	3	5	20	25	24	11	88
50-54	0	2	6	5	15	16	44
55-59	0	0	3	2	5	6	16
60-64	0	0	0	1	0	0	1
65 and over	0	0	0	0	0	0	0
All Ages	193	115	158	81	51	33	631

Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$51,929	$0	$0	$0	$0	$0	$51,929
25-29	53,840	72,427	0	0	0	0	55,307
30-34	55,497	75,025	79,217	0	0	0	66,522
35-39	55,131	73,775	83,508	91,788	0	0	75,383
40-44	55,101	74,977	82,438	95,387	101,302	0	84,530
45-49	52,332	81,186	86,561	89,694	97,040	114,184	92,289
50-54	0	76,167	81,358	89,862	96,565	103,665	95,384
55-59	0	0	85,437	84,516	98,893	120,299	102,600
60-64	0	0	0	77,043	0	0	77,043
65 and over	0	0	0	0	0	0	0
Average	$54,411	$74,812	$83,151	$92,172	$97,667	$110,196	$76,586

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	1	1
30-34	0	0	4	0	0	0	4
35-39	0	0	12	0	0	0	12
40-44	0	0	16	0	1	0	17
45-49	0	1	15	0	1	0	17
50-54	17	0	28	0	1	6	52
55-59	50	2	52	0	1	5	110
60-64	66	3	40	0	2	9	120
65-69	41	1	25	0	1	8	76
70-74	35	0	10	0	1	11	57
75-79	26	0	8	0	0	14	48
80-84	17	0	2	0	0	10	29
85 and Over	5	0	0	1	1	18	25
All Ages	257	7	212	1	9	82	568

Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$12,720	$12,720
30-34	0	0	30,293	0	0	0	30,293
35-39	0	0	32,165	0	0	0	32,165
40-44	0	0	29,999	0	57,579	0	31,621
45-49	0	11,321	26,667	0	62,265	0	27,858
50-54	66,074	0	51,937	0	77,476	35,444	55,147
55-59	65,705	32,494	54,668	0	25,203	28,130	57,807
60-64	57,870	35,654	42,795	0	26,075	26,900	49,437
65-69	45,905	20,693	47,349	0	25,279	25,240	43,602
70-74	37,386	0	37,407	0	30,690	22,887	34,474
75-79	33,245	0	34,085	0	0	17,367	28,754
80-84	32,694	0	18,821	0	0	18,360	26,794
85 and Over	39,805	0	0	21,025	24,719	15,701	21,095
Average	$50,730	$29,138	$43,698	$21,025	$39,484	$21,599	$43,404

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	58	0	58	0	0	2	118
5-9	72	3	51	0	0	4	130
10-14	36	2	39	0	2	8	87
15-19	37	0	36	0	4	16	93
20-24	33	1	14	0	1	9	58
25-29	17	1	8	0	1	15	42
30 and Over	4	0	6	1	1	28	40
All Years	257	7	212	1	9	82	568

Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	$69,185	$0	$58,898	$0	$0	$34,963	$63,549
5-9	56,229	37,977	48,763	0	0	43,718	52,494
10-14	43,934	27,214	34,122	0	43,822	27,267	37,616
15-19	41,243	0	38,439	0	48,909	27,032	38,042
20-24	36,666	20,693	27,790	0	22,085	20,209	31,443
25-29	30,664	14,911	19,971	0	25,279	16,043	22,902
30 and Over	34,409	0	16,271	21,025	24,719	16,185	18,355
Average	$50,730	$29,138	$43,698	$21,025	$39,484	$21,599	$43,404

APPENDICES

- APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS
- APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS
- APPENDIX C - GASB STATEMENT NO. 27
- APPENDIX D – GLOSSARY OF ACTUARIAL TERMS

APPENDIX A

- STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not contain information about reciprocal systems. Therefore, salary information in these cases may not be accurate. This situation is relatively infrequent, however, and when it does occur, generally does not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30 years. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

1) when a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

2) when there are excess assets, rather than an unfunded liability. Beginning with the June 30, 2004 valuation a 30-year fresh start is used in this situation.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the the fresh start period is set by the actuary at what he deems appropriate, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

Annual increases vary by category, entry age, and duration of service. The assumed increases are shown below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0365	0.0365	0.0345
30	0.0325	0.0325	0.0325

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0345
25	0.0355	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0345
25	0.0365	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0365	0.0355	0.0345
30	0.0325	0.0325	0.0325

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.00% compounded annually. This assumption is used for all plans.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those agencies that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary is increased by the Employee Contribution Rate for those agencies that have contracted for the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)

Employees hired prior to July 1, 1982 have projected benefit amounts increased in order to reflect the use of "Best Factors" in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The Industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
Age	Male	Female	Male and Female
20	0.00019	0.00009	0.00003
25	0.00027	0.00014	0.00007
30	0.00038	0.00021	0.00010
35	0.00054	0.00031	0.00013
40	0.00077	0.00046	0.00017
45	0.00110	0.00068	0.00020
50	0.00156	0.00102	0.00023
55	0.00221	0.00151	0.00027
60	0.00314	0.00226	0.00030

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement and gender. See sample rates in table below. These rates are used for all plans.

	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
Age	Male	Female	Male	Female	Male	Female
50	0.00245	0.00136	0.01459	0.01129	0.00546	0.00388
55	0.00429	0.00253	0.02115	0.01481	0.00616	0.00568
60	0.00721	0.00442	0.02870	0.01884	0.01016	0.00818
65	0.01302	0.00795	0.03617	0.02356	0.01853	0.01214
70	0.02135	0.01276	0.04673	0.03020	0.03369	0.01760
75	0.03716	0.02156	0.06552	0.04298	0.05768	0.02774
80	0.06256	0.03883	0.09481	0.06514	0.08670	0.04690
85	0.10195	0.07219	0.14041	0.10269	0.13032	0.08262
90	0.17379	0.12592	0.20793	0.16189	0.19588	0.13984
95	0.25917	0.21773	0.30792	0.25522	0.29444	0.23566
100	0.34724	0.32036	0.45599	0.40236	0.44259	0.35341

Marital Status

For active members, a percentage married upon retirement is assumed according to the following table.

Member Category	Percent Married
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members

It is assumed that members refund immediately if non-vested, retire immediately if eligible, or retire at the earliest retirement age if not eligible.

Termination with Refund

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1760	0.1691	0.1622	0.1553	0.1483	0.1414
1	0.1561	0.1492	0.1423	0.1353	0.1284	0.1215
2	0.1362	0.1293	0.1224	0.1154	0.1085	0.1016
3	0.1163	0.1094	0.1025	0.0955	0.0886	0.0817
4	0.0964	0.0895	0.0826	0.0756	0.0687	0.0618
5	0.0283	0.0257	0.0232	0.0206	0.0181	0.0155
10	0.0184	0.0161	0.0139	0.0117	0.0095	0.0073
15	0.0120	0.0102	0.0083	0.0064	0.0046	0.0027
20	0.0073	0.0057	0.0041	0.0025	0.0009	0.0002
25	0.0034	0.0022	0.0009	0.0002	0.0002	0.0002
30	0.0010	0.0002	0.0002	0.0002	0.0002	0.0002

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0947	0.1299	0.1072
1	0.0739	0.0816	0.0841
2	0.0531	0.0348	0.0609
3	0.0323	0.0331	0.0470
4	0.0290	0.0314	0.0445
5	0.0095	0.0110	0.0156
10	0.0029	0.0068	0.0096
15	0.0021	0.0035	0.0048
20	0.0016	0.0022	0.0022
25	0.0010	0.0015	0.0010
30	0.0009	0.0012	0.0006

The Police Termination and Refund rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Termination with Vested Benefits

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0482	0.0439	0.0395	0.0351	0.0307
10	0.0390	0.0343	0.0296	0.0249	0.0000
15	0.0326	0.0274	0.0224	0.0000	0.0000
20	0.0245	0.0192	0.0000	0.0000	0.0000
25	0.0156	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0187	0.0265
10	0.0061	0.0145	0.0204
15	0.0058	0.0094	0.0130
20	0.0053	0.0075	0.0074
25	0.0047	0.0067	0.0043
30	0.0045	0.0064	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Non-Industrial (Not Job-Related) Disability
Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans.

	Miscellaneous		Fire	Police	County Peace Officer
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0002	0.0002	0.0001	0.0001	0.0001
30	0.0002	0.0004	0.0001	0.0002	0.0001
35	0.0008	0.0010	0.0001	0.0003	0.0002
40	0.0015	0.0016	0.0001	0.0004	0.0003
45	0.0024	0.0023	0.0002	0.0005	0.0004
50	0.0037	0.0035	0.0005	0.0008	0.0007
55	0.0049	0.0041	0.0010	0.0013	0.0012
60	0.0055	0.0039	0.0015	0.0020	0.0019

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability
Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0006	0.0002
25	0.0010	0.0028	0.0012
30	0.0021	0.0056	0.0025
35	0.0031	0.0084	0.0037
40	0.0041	0.0112	0.0050
45	0.0051	0.0140	0.0062
50	0.0062	0.0167	0.0075
55	0.0601	0.0581	0.0128
60	0.0601	0.0581	0.0128

- The Police Industrial Disability rates are used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous Plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Service Retirement

Public Agency Miscellaneous 2% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0085	0.0120	0.0146	0.0165	0.0184	0.0206
51	0.0059	0.0082	0.0100	0.0113	0.0126	0.0142
52	0.0092	0.0129	0.0157	0.0178	0.0198	0.0222
53	0.0104	0.0146	0.0177	0.0200	0.0224	0.0251
54	0.0109	0.0154	0.0187	0.0211	0.0236	0.0264
55	0.0198	0.0279	0.0339	0.0383	0.0427	0.0479
56	0.0181	0.0254	0.0308	0.0348	0.0389	0.0436
57	0.0208	0.0292	0.0354	0.0400	0.0447	0.0501
58	0.0262	0.0368	0.0447	0.0505	0.0564	0.0632
59	0.0335	0.0471	0.0572	0.0646	0.0721	0.0809
60	0.0615	0.0865	0.1051	0.1187	0.1325	0.1485
61	0.0628	0.0883	0.1073	0.1212	0.1353	0.1517
62	0.1258	0.1767	0.2147	0.2426	0.2708	0.3036
63	0.1263	0.1775	0.2156	0.2436	0.2720	0.3049
64	0.0972	0.1366	0.1659	0.1875	0.2093	0.2346
65	0.1731	0.2432	0.2955	0.3339	0.3727	0.4178
66	0.0946	0.1330	0.1616	0.1825	0.2038	0.2284
67	0.1272	0.1787	0.2171	0.2453	0.2738	0.3069

Public Agency Miscellaneous 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0145	0.0184	0.0224	0.0269	0.0307	0.0366
51	0.0106	0.0135	0.0164	0.0198	0.0226	0.0269
52	0.0114	0.0145	0.0176	0.0212	0.0241	0.0287
53	0.0150	0.0190	0.0231	0.0278	0.0318	0.0378
54	0.0199	0.0252	0.0307	0.0369	0.0421	0.0502
55	0.0475	0.0604	0.0734	0.0883	0.1008	0.1200
56	0.0395	0.0502	0.0611	0.0735	0.0838	0.0998
57	0.0427	0.0542	0.0659	0.0793	0.0905	0.1078
58	0.0473	0.0601	0.0730	0.0879	0.1003	0.1194
59	0.0510	0.0648	0.0788	0.0948	0.1082	0.1287
60	0.0715	0.0908	0.1104	0.1328	0.1516	0.1804
61	0.0715	0.0908	0.1104	0.1328	0.1516	0.1805
62	0.1275	0.1620	0.1969	0.2369	0.2704	0.3219
63	0.1287	0.1636	0.1988	0.2392	0.2731	0.3250
64	0.0931	0.1182	0.1438	0.1729	0.1974	0.2350
65	0.1738	0.2209	0.2686	0.3231	0.3688	0.4390
66	0.1085	0.1378	0.1675	0.2016	0.2301	0.2739
67	0.1109	0.1409	0.1713	0.2061	0.2353	0.2801

Public Agency Miscellaneous 2.5% @ 55, 2.7% @ 55, 3% @ 60

	2.5% @ 55		2.7% @ 55		3% @ 60	
Age	Male	Female	Male	Female	Male	Female
50	0.05000	0.07000	0.05000	0.07000	0.05000	0.07000
51	0.02000	0.05000	0.02000	0.05000	0.02000	0.05000
52	0.03000	0.05000	0.03000	0.05000	0.03000	0.05000
53	0.03000	0.05000	0.03000	0.06000	0.03000	0.05000
54	0.04000	0.05000	0.04000	0.06000	0.04000	0.05000
55	0.08000	0.09000	0.09000	0.10000	0.08000	0.09000
56	0.06000	0.07000	0.07000	0.08000	0.07000	0.08000
57	0.07000	0.06000	0.08000	0.07000	0.08000	0.07000
58	0.08000	0.10000	0.08000	0.10000	0.09000	0.11000
59	0.09000	0.09000	0.10000	0.09000	0.11000	0.10000
60	0.16000	0.12000	0.17000	0.13000	0.19000	0.15000
61	0.15000	0.10000	0.16000	0.11000	0.17000	0.12000
62	0.26000	0.21000	0.28000	0.23000	0.31000	0.25000
63	0.22000	0.18000	0.23000	0.20000	0.26000	0.22000
64	0.15000	0.13000	0.16000	0.14000	0.18000	0.16000
65	0.25000	0.25000	0.27000	0.27000	0.30000	0.30000
66	0.14000	0.15000	0.15000	0.16000	0.17000	0.18000
67	0.12000	0.14000	0.13000	0.16000	0.14000	0.17000
68	0.12000	0.11000	0.13000	0.12000	0.15000	0.13000
69	0.09000	0.13000	0.10000	0.14000	0.11000	0.15000
70	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

Public Agency Police 2%@ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0262	0.0262	0.0262	0.0262	0.0480	0.0855
53	0.0523	0.0523	0.0523	0.0523	0.0957	0.1706
54	0.0697	0.0697	0.0697	0.0697	0.1275	0.2274
55	0.0899	0.0899	0.0899	0.0899	0.1645	0.2932
56	0.0638	0.0638	0.0638	0.0638	0.1166	0.2079
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2%@50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0173	0.0173	0.0173	0.0173	0.0267	0.0400
53	0.0465	0.0465	0.0465	0.0465	0.0716	0.1072
54	0.0638	0.0638	0.0638	0.0638	0.0983	0.1471
55	0.0868	0.0868	0.0868	0.0868	0.1336	0.2000
56	0.0779	0.0779	0.0779	0.0779	0.1200	0.1796
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0024	0.0024	0.0024	0.0035	0.0055	0.0065
51	0.0048	0.0048	0.0048	0.0070	0.0110	0.0128
52	0.0147	0.0147	0.0147	0.0215	0.0339	0.0396
53	0.0425	0.0425	0.0425	0.0621	0.0979	0.1142
54	0.0567	0.0567	0.0567	0.0828	0.1306	0.1523
55	0.0915	0.0915	0.0915	0.1337	0.2109	0.2459
56	0.0811	0.0811	0.0811	0.1184	0.1868	0.2178
57	0.0996	0.0996	0.0996	0.1455	0.2295	0.2676
58	0.0814	0.0814	0.0814	0.1189	0.1874	0.2185
59	0.0775	0.0775	0.0775	0.1131	0.1784	0.2080
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% @ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091
52	0.0693	0.0693	0.0693	0.0967	0.1377	0.1630
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848
57	0.1010	0.1010	0.1010	0.1411	0.2010	0.2378
58	0.1184	0.1184	0.1184	0.1652	0.2354	0.2786
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX B

- SUMMARY OF PRINCIPAL PLAN PROVISIONS

SUMMARY OF BENEFITS: COVERAGE GROUP 74001

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

RETIREMENT PROGRAM

Service Retirement

Eligibility

A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor, years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **3% at 50** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	3% at 50 Factor
50	3.000%
51	3.000%
52	3.000%
53	3.000%
54	3.000%
55 & Up	3.000%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are not covered by Social Security. The final compensation is not offset by a dollar amount.

- The Service Retirement benefit is capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, and has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit
The Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job-Related) Disability Retirement

Eligibility
An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit
The Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of or annuitization of the accumulated member contributions with respect to employment in this group. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

Post-Retirement Death Benefit

Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

For retirement allowances with respect to service earned by employment in this group, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, *without* a reduction in the retiree's allowance. This additional benefit is often referred to as *post retirement survivor allowance* (PRSA) or simply as *survivor continuance.*

In other words, 50% of the allowance, the *continuance portion,* is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime.

The remaining portion of the retirement allowance, which may be referred to as the *option portion* of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this *option portion* to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total

service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Special Death Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit
The Special Death benefit is a monthly allowance equal to 50% of final compensation. The deceased member's final compensation will increase correspondingly, at any time the compensation is increased for then-active members employed in the job classification applicable to the deceased member at the time of injury causing death. These increases will apply until the earlier of (1) the death of the surviving spouse or (2) the date the deceased member would have attained age 50. The allowance is payable to the surviving spouse until death, at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit if applicable.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- If 1eligible child: 12.5% of final compensation
- If 2 eligible children: 20.0% of final compensation
- If 3 or more eligible children: 25.0% of final compensation

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $0.
The percent contributed above the monthly compensation breakpoint is 9%.

Employer Paid Member Contributions (EPMC)

Through the collective bargaining process, the employer, who has agreed to pay the employee contributions for this group, will stop paying these contributions during the final compensation period and instead increase the pay of the members by 9%. This will result in a higher average monthly pay for the purpose of computing the member's retirement allowance.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

1959 Survivor Benefit Fourth Level

This benefit is not included in the results presented earlier in this valuation. For more information on this benefit go to the CalPERS website at www.calpers.ca.gov.

SUMMARY OF BENEFITS: COVERAGE GROUP 75001

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

RETIREMENT PROGRAM

Service Retirement

Eligibility
A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Benefit
The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor, years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **3% at 50** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	3% at 50 Factor
50	3.000%
51	3.000%
52	3.000%
53	3.000%
54	3.000%
55 & Up	3.000%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are not covered by Social Security. The final compensation is not offset by a dollar amount.

- The Service Retirement benefit is capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status
A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, and has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit
The Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job-Related) Disability Retirement

Eligibility
An employee is eligible for Industrial Disability Retirement if he or she becomes *disabled* while working, where *disabled* means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Benefit
The Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of or annuitization of the accumulated member contributions with respect to employment in this group. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

Post-Retirement Death Benefit

Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

For retirement allowances with respect to service earned by employment in this group, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, *without* a reduction in the retiree's allowance. This additional benefit is often referred to as *post retirement survivor allowance* (PRSA) or simply as *survivor continuance.*

In other words, 50% of the allowance, the *continuance portion,* is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime.

The remaining portion of the retirement allowance, which may be referred to as the *option portion* of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this *option portion* to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total

service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Special Death Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit
The Special Death benefit is a monthly allowance equal to 50% of final compensation. The deceased member's final compensation will increase correspondingly, at any time the compensation is increased for then-active members employed in the job classification applicable to the deceased member at the time of injury causing death. These increases will apply until the earlier of (1) the death of the surviving spouse or (2) the date the deceased member would have attained age 50. The allowance is payable to the surviving spouse until death, at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit if applicable.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1eligible child: 12.5% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.
The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $0.
The percent contributed above the monthly compensation breakpoint is 9%.

Employer Paid Member Contributions (EPMC)

Through the collective bargaining process, the employer, who has agreed to pay the employee contributions for this group, will stop paying these contributions during the final compensation period and instead increase the pay of the members by 9%. This will result in a higher average monthly pay for the purpose of computing the member's retirement allowance.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

1959 Survivor Benefit Fourth Level

This benefit is not included in the results presented earlier in this valuation. For more information on this benefit go to the CalPERS website at www.calpers.ca.gov.

APPENDIX C

- GASB STATEMENT NO. 27

SAFETY PLAN of the CITY OF STOCKTON Information for Compliance with GASB Statement No. 27

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate for the indicated period is 31.725% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2007 to June 30, 2008. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2007 through June 30, 2008 is $16,256,934 plus the contribution, if any, for the 1959 Survivor Program.

A summary of principal assumptions and methods used to determine the ARC is shown below.

	Retirement Program
Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/03	$ 473,038,190	$ 380,682,293	$ 92,355,897	80.5%	$ 43,816,129	210.8%
06/30/04	504,302,910	401,037,576	103,265,334	79.5%	45,115,799	228.9%
06/30/05	536,142,694	428,574,694	107,568,000	79.9%	48,325,899	222.6%

APPENDIX D

- GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability
The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Methods
Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation
The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets
The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases
Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in liability (principal) due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period
The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)
The employer's periodic required annual contributions to a defined benefit pension plan, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is age of the member on their date of hire.

Entry Age Normal Cost Method
An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Excess Assets
When a plan's actuarial value of assets is greater than its accrued liability, the difference is the plan's excess assets. A plan with excess assets is said to be overfunded. The result of having excess assets is that the plan may temporarily reduce future contributions.

Fresh Start
When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, a fresh start is used to avoid inconsistencies that would otherwise occur.

Funded Status
A measure of how well funded a plan is. Or equivalently, how "on track" a plan is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the actuarial value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

Lump Sum Contribution
A payment made by the employer to reduce or eliminate the unfunded liability.

Normal Cost
The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long term contribution rate.

Pension Actuary
A person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution
A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits
The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Rolling Amortization Period
An amortization period that remains the same each year, or does not decline.

Superfunded
A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability
A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.

CalPERS

Actuarial Office
P.O. Box 1494
Sacramento, CA 95812
Telecommunications Device for the Deaf - (916) 795-3240
(888) CalPERS (225-7377) FAX (916) 795-2744

August 30, 2006

MISCELLANEOUS PLAN OF THE CITY OF STOCKTON (EMPLOYER # 55)
Annual Valuation Report as of June 30, 2005

Dear Employer,

Enclosed please find a copy of the June 30, 2005 actuarial valuation report of your pension plan. This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since Prior Year's Valuation

There may be changes specific to your plan such as contract amendments and funding changes.

In lieu of sending employer contributions on a reportable payroll cycle, Public Agencies can now prepay their annual required contributions. With this report, we have added a line entitled "Annual Prepayment Option". The discounted amounts payable under this option are shown on Page 5 for the 2006/2007 and 2007/2008 fiscal years.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2007/2008 along with an estimate of the contribution rate and the probable Superfunded status for 2008/2009. The estimated rate for 2008/2009 is based solely on a projection of the investment return for fiscal 2005/2006, namely 11%. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2007/2008	16.605%	NO
2008/2009	16.4% (projected)	NO

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2008/2009 also assumes that there are no future amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate.** Even for the largest plans, such gains and losses often cause a change in the employer's contribution rate by one or two percent, even larger in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2008/2009 is just an estimate. Your actual rate for 2008/2009 will be provided in next year's report.

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,

Ronald L. Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
Enrolled Actuary
Chief Actuary, CalPERS

ACTUARIAL VALUATION

as of June 30, 2005

for the MISCELLANEOUS PLAN of the CITY OF STOCKTON

(EMPLOYER # 55)

REQUIRED CONTRIBUTIONS FOR FISCAL YEAR July 1, 2007 – June 30, 2008

CalPERS

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the MISCELLANEOUS PLAN OF THE CITY OF STOCKTON. This valuation is based on the member and financial data as of June 30, 2005 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The below listed are actuaries for CalPERS. All are members of the American Academy of Actuaries and Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Bill Karch, A.S.A., M.A.A.A.
Associate Pension Actuary, CalPERS

Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
Enrolled Actuary
Chief Actuary, CalPERS

HIGHLIGHTS AND EXECUTIVE SUMMARY

- PURPOSE OF THE REPORT
- REQUIRED CONTRIBUTIONS
- FUNDED STATUS
- COST AND VOLATILITY
- CHANGES SINCE THE PRIOR VALUATION
- SUBSEQUENT EVENTS

Purpose of the Report

This report presents the results of the June 30, 2005 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF STOCKTON of the California Public Employees' Retirement System (CalPERS). The valuation was performed by CalPERS staff actuaries in order to:

- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2005;
- certify the actuarially required employer contribution rate of this plan for the fiscal year July 1, 2007 through June 30, 2008 is 16.605%;
- provide actuarial information as of June 30, 2005 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2005 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

Use of this report for other purposes may be inappropriate.

Required Contributions

	Fiscal Year 2006/2007	Fiscal Year 2007/2008
Required Employer Contributions		
Employer Contribution Required (in Projected Dollars)		
Payment for Normal Cost	$ 6,040,998	$ 6,138,778
Payment on the Amortization Bases	3,079,783	3,240,368
Total (not less than zero)	$ 9,120,781	$ 9,379,146
Annual Prepayment Option*	$ 8,786,651	$ 9,035,551
Employer Contribution Required (Percentage of Payroll)		
Payment for Normal Cost	10.846%	10.868%
Payment on the Amortization Bases	5.529%	5.737%
Total (not less than zero)	16.375%	16.605%
Required Employee Contributions (Percentage)	7.000%	7.000%

Funded Status

	June 30, 2004	June 30, 2005
Present Value of Projected Benefits	439,733,742	467,312,529
Entry Age Normal Accrued Liability	366,460,118	393,457,559
Actuarial Value of Assets (AVA)	321,947,380	345,177,129
Unfunded Liability	$ 44,512,738	$ 48,280,430
Funded Status (on an AVA basis)	87.9%	87.7%
Market Value of Assets (MVA)	$ 316,842,696	$ 355,686,113
Funded Status (on an MVA basis)	86.5%	90.4%
Superfunded Status	No	No

*Payment must be received by CalPERS between July 1 and July 15.

Cost and Volatility

Actuarial Cost Estimates In General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future.

- There are demographic assumptions about the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- There are economic assumptions about future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized each year as we go forward. For example, the assumption for investment return is 7.75% per year. The actual asset earnings for the past 15 years at CalPERS have ranged from -7.2% to 20.1% while the 15 year compound return has been 9.7%.

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost (i.e., Accrued Liability – representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period. So, the employer rate can be computed in many different ways depending on how long one will take to pay for it. And as the first point above states; all of these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, the actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year to year differences between actual experience and the assumptions are called actuarial gains and losses and serve to raise or lower the employer's rates from year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Plans that have higher asset to payroll ratios produce more volatile employer rates. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. We are disclosing the ratio of accrued liability to payroll, rather than assets to payroll because the desired state for any plan is to be 100% funded (i.e., with assets equal to accrued liability). It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

Beginning with the June 30, 2004 actuarial valuation, rate stabilization methodologies were implemented. Although there is no method that can provide perfectly stable rates, the new methods have been shown to be very effective in mitigating rate volatility. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process. In most situations, the new rate stabilization policies will reduce rate volatility due to actual gains and losses by about 50%.

	As of June 30, 2005
Accrued Liability	393,457,559
Payroll	51,317,103
Volatility Index	7.7
Average Volatility Index for All Plans with 2.0% @ 55 Miscellaneous Retirement Formula*	4.8

* Includes pooled and non-pooled plans

Changes Since Prior Valuation

Actuarial Assumptions

There were no changes made to the actuarial assumptions since the prior year's actuarial valuation. The only exception would be changes necessary to reflect a benefit amendment.

Actuarial Methods

There were no changes in actuarial methods since the prior year's actuarial valuation.

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation whose report is dated after the amendment becomes effective.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to Appendix B for a summary of the plan provisions used in the valuation. The effect of any plan amendments on the unfunded liability is shown in the GAIN/LOSS ANALYSIS section and the effect on your employer contribution rate is shown in the RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. It should be noted that no change in liability or rate is shown for any plan changes which were already included in the prior year's valuation.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- DEVELOPMENT OF ACCRUED AND UNFUNDED LIABILITIES
- ROLL FORWARD OF UNFUNDED LIABILITIES
- SCHEDULE OF AMORTIZATION BASES
- (GAIN) / LOSS ANALYSIS
- DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS
- RECONCILIATION OF REQUIRED EMPLOYER CONTRIBUTIONS
- EMPLOYER CONTRIBUTION RATE HISTORY
- FUNDING HISTORY

Development of Accrued and Unfunded Liabilities

1	Present Value of Projected Benefits	
	a) Active Members	$ 237,709,313
	b) Transferred Members	19,603,085
	c) Terminated Members	14,604,667
	d) Members and Beneficiaries Receiving Payments	195,395,464
	e) Total	467,312,529
2	Present Value of Future Employer Normal Costs	44,062,733
3	Present Value of Future Employee Contributions	29,792,237
4	Entry Age Normal Accrued Liability	
	a) Active Members [(1a) - (2) - (3)]	163,854,343
	b) Transferred Members	19,603,085
	c) Terminated Members	14,604,667
	d) Members and Beneficiaries Receiving Payments	195,395,464
	e) Total	393,457,559
5	Actuarial Value of Assets	345,177,129
6	Unfunded Accrued Liability/(Excess Assets) [(4e) - (5)]	48,280,430

Roll Forward of Unfunded Liabilities

There is a two year lag between the Valuation Date and the Contribuion Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date (June 30, 2005).
- The employer contribution rate determined by the valuation is for the fiscal year beginning two years after the valuation date (fiscal year 2007-2008).

This two year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determined by multiplying the rate by the expected payroll for the applicable fiscal year.

Retirement Program

1.	Employer Contribution Rate for 2005/2006 from 6/30/2003 Valuation[1]		17.525%
2.	Projected Annual Payroll for 2005/2006 from 6/30/2005 Valuation[2]	$	52,984,909
3.	Employer Contribution Rate for 2006/2007 from 6/30/2004 Valuation[1]		16.375%
4.	Projected Annual Payroll for 2006/2007 from 6/30/2005 Valuation[2]	$	54,706,919
5.	Projected Annual Payroll for 2007/2008 from 6/30/2005 Valuation[2]	$	56,484,893
6.	Employer Normal Cost Rate from 6/30/2005 Valuation		10.868%
7.	6/30/2005 Unfunded Liability	$	48,280,430
8.	Expected Employer Normal Cost for 2005/2006 = (6) x (2)		5,758,400
9.	Expected Employer Contribution = (1) x (2)		9,285,605
10.	Expected Payment on Unfunded Liability = (9) – (8)		3,527,205
11.	Expected Interest on (7) and (10) at 7.75% assuming mid-year payments of contributions		3,607,605
12.	6/30/2006 Expected Unfunded Liability = (7) - (10) + (11)		48,360,830
13.	Expected Employer Normal Cost for 2006-2007 = (6) x (4)	$	5,945,548
14.	Expected Employer Contribution = (3) x (4)		8,958,258
15.	Expected Payment on Unfunded Liability = (14) - (13)		3,012,710
16.	Expected Interest on (12) and (15) at 7.75%		3,633,399
17.	6/30/2007 Rolled Forward Unfunded Liability = (12) - (15) + (16)		48,981,519

[1]An adjustment has been made in cases where there was an amendment during the year to reflect the partial year's payment for the amendment.

[2]Annual payroll is assumed to increase by 3.25% each year.

Schedule of Amortization Bases

The schedule below shows the development of the "Payment on the Amortization Bases" shown in the REQUIRED CONTRIBUTIONS and DEVELOPMENT OF REQUIRED EMPLOYER CONTRIBUTIONS section of this report. This payment represents the employer contribution toward the Unfunded Liability. Each row of the schedule gives a brief description of a base (or portion of the Unfunded Liability), the date the base was established, the original amount, and the number of years from June 30,2007 to the final payment (Amortization Period). The balance of the base is then shown for the year immediately following the valuation date and the expected payment and projected base are shown for the next two fiscal years. The last year shown is the one for which rates are established in this report. The total expected payments for the fiscal years 2005/2006 and 2006/2007 are the fiscal years' expected payrolls multiplied by the difference between the fiscal years' total employer rate percentage and the June 30, 2005 employer normal cost percentage. The total payroll is expected to grow by 3.25% annually. Please see previous page and Appendix A for more detail, particularly for an explanation of how amortization periods are determined.

							Amounts for Fiscal 2007/2008		
Reason for Base	Date Established	Amortization Period	Balance 6/30/05	Expected Payment 2005/2006	Balance 6/30/06	Expected Payment 2006/2007	Balance 6/30/07	Scheduled Payment for 2007/2008	Payment as Percentage of Payroll
(GAIN)/LOSS	06/30/05	30	$32,493,516	$2,664,239	$32,246,212	$1,857,206	$32,817,463	$1,970,719	3.488%
PAYMENT (GAIN)/LOSS	06/30/05	30	$1,470,352	$(337,079)	$1,934,201	$44,355	$2,038,060	$122,388	0.215%
ASSUMPTION CHANGE	06/30/03	18	$15,888,075	$1,200,045	$15,873,722	$1,239,046	$15,817,772	$1,279,315	2.265%
METHOD CHANGE	06/30/04	19	$(1,571,513)	$0	$(1,693,305)	$(127,897)	$(1,691,776)	$(132,054)	(0.234%)
TOTAL			**$48,280,430**	**$3,527,205**	**$48,360,830**	**$3,012,710**	**$48,981,519**	**$3,240,368**	**5.734%**

(Gain)/Loss Analysis 6/30/04 – 6/30/05

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

A	**Total (Gain)/Loss for the Year**		
1.	Unfunded Liability/(Excess Assets) as of 6/30/04	$	44,512,738
2.	Expected Payment on the Unfunded Liability (UL) during 2004/2005		873,043
3.	Interest through 6/30/05 [.0775 x (A1) – ((1.0775)^{½} - 1) x (A2)]		3,416,538
4.	Expected UL before all other changes [(A1) – (A2) + (A3)]		47,056,233
5.	Change in UL due to new plan changes		0
6.	Change in UL due to change in actuarial methods		0
7.	Change in UL due to additional contributions		0
8.	Expected UL after all other changes [(A4) + (A5) + (A6) + (A7)]		47,056,233
9.	Actual UL as of 6/30/05		48,280,430
10	Total (Gain)/Loss for 2004/2005 [(A9) – (A8)]	$	1,224,197
B	**Contribution (Gain)/Loss for the Year**		
1.	Expected Contribution	$	10,196,991
2.	Expected Interest on Expected Contributions		387,761
3.	Actual Contributions		12,981,444
4.	Expected Interest on Actual Contributions		493,645
5.	Contribution (Gain)/Loss [(B1) + (B2) – (B3) – (B4)]	$	(2,890,337)
C	**Asset (Gain)/Loss for the Year**		
1.	Actuarial Value of Assets as of 6/30/04	$	321,947,380
2.	Contributions Received during 2004/2005		12,981,444
3.	Benefits and Refunds Paid during 2004/2005		(15,355,748)
4.	Transfers/Misc. Adjustments paid during fiscal 2004/2005		(6,959)
5.	Expected Int. [.0775 x (C1) + ((1.0775)^{½} - 1) x ((C2) + (C3) + (C4))]		24,860,370
6.	Expected Assets as of 6/30/05 [(C1) + (C2) + (C3) + (C4) + (C5)]		344,426,487
7.	Actual Actuarial Value of Assets as of 6/30/05		345,177,129
8.	Asset (Gain)/Loss for 2004/2005 [(C6) – (C7)]	$	(750,642)
D	**Liability (Gain)/Loss for the Year**		
1.	Total (Gain)/Loss (A10)	$	1,224,197
2.	Contribution (Gain)/Loss (B5)		(2,890,337)
3.	Asset (Gain)/Loss (C8)		(750,642)
4.	Liability (Gain)/Loss [(D1) – (D2) – (D3)]	$	4,865,176

	Development of the (Gain)/Loss Balance as of 6/30/05		
1.	(Gain)/Loss Balance as of 6/30/04	$	30,043,121
2.	Payment Made on the Balance during 2004/2005		1,061,767
3.	Interest through 6/30/05 [.0775 x (1) – ((1.0775)$^{1/2}$ – 1) x (2)]		2,287,965
4.	Scheduled (Gain)/Loss Balance as of 6/30/05 [(1) – (2) + (3)]	$	31,269,319
5.	(Gain)/Loss for Fiscal Year ending 6/30/05 [(A10) above]		1,224,197
6.	Final (Gain)/Loss Balance as of 6/30/05 [(4) + (5)]	$	32,493,516

Development of Required Employer Contributions

	Fiscal Year2007/2008		
	Percentage of Projected Payroll		**Estimated $ Based On Projected Payroll**
Employer Contribution Required			
Payment for Normal Cost	10.868%	$	6,138,778
Payment on Amortization Bases	5.737%		3,240,368
Total (not less than zero)	16.605%		9,379,146
Annual Lump Sum Prepayment Option*			9,035,551

*Prepayment must be received by CalPERS between July 1 and July 15.

Reconciliation of Required Employer Contributions

		Percentage of Projected Payroll		Estimated $ Based on Projected Payroll
1	Contribution for 7/1/06 - 6/30/07	16.375%	$	9,120,781
2	Effect of changes since the prior valuation			
	a) Effect of unexpected changes in demographics and financial results	0.230%		129,501
	b) Effect of plan changes	0.000%		0
	c) Effect of elimination of amortization base	0.000%		0
	d) Effect of change in payroll	N/A		128,864
	e) Effect of changes in Actuarial Methods or Assumptions	0.000%		0
	f) Effect of changes due to additional contributions	0.000%		0
	g) Effect of changes due to Fresh Start	0.000%		0
	h) Net effect of the changes above [Sum of (a) through (g)]	0.230%		258,365
3	Contribution for 7/1/07 - 6/30/08 [(1)+(2h)]	16.605%		9,379,146

The contribution actually paid (item 1) may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

Employer Contribution Rate History

The table below provides a history of the employer contribution rates for your plan since July 1, 2005, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Required By Valuation

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2005 – 2006	10.817%	6.708%	17.525%
2006 – 2007	10.846%	5.529%	16.375%
2007 – 2008	10.868%	5.737%	16.605%

Funding History

The Funding History below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/03	$ 344,933,214	$ 305,878,921	$ 39,054,293	88.7%	$ 54,241,063	72.0%
06/30/04	366,460,118	321,947,380	44,512,738	87.9%	50,602,143	88.0%
06/30/05	393,457,559	345,177,129	48,280,430	87.7%	51,317,103	94.1%

SUMMARY OF ASSETS

- RECONCILIATION OF THE MARKET VALUE OF ASSETS
- DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
- ASSET ALLOCATION

Reconciliation of the Market Value of Assets

1	Market Value of Assets as of June 30, 2004	$	316,842,696
2	Employer Contributions		7,141,487
3	Employee Contributions		5,839,957
4	Benefit Payments to Retirees and Beneficiaries		(14,954,038)
5	Refunds		(231,602)
6	Lump Sum Payments		(170,108)
7	Transfers and Miscellaneous Adjustments		(6,959)
8	Investment Return		41,224,680
9	Market Value of Assets as of June 30, 2005 [(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)]	$	355,686,113

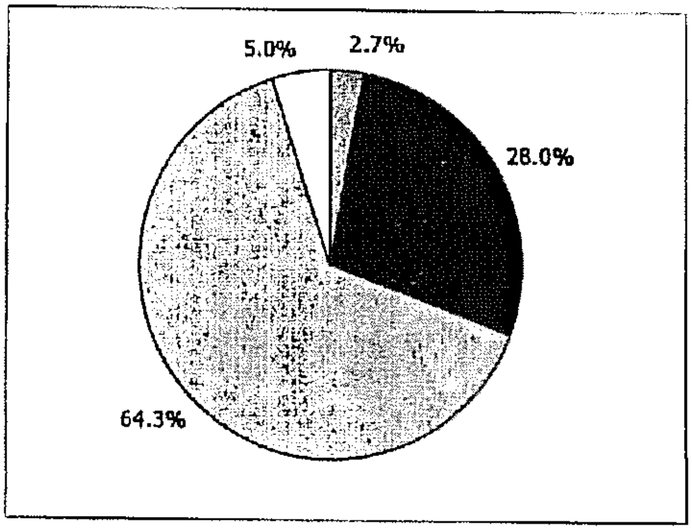
Development of the Actuarial Value of Assets

1.	Actuarial Value of Assets as of June 30, 2004	$	321,947,380
2.	Employer Contributions		7,141,487
3.	Employee Contributions		5,839,957
4.	Benefit Payments to Retirees and Beneficiaries		(14,954,038)
5.	Refunds		(231,602)
6.	Lump Sum Payments		(170,108)
7.	Transfers and Miscellaneous Adjustments		(6,959)
8.	Expected Investment Income at 7.75%		24,860,370
9.	Expected Actuarial Value of Assets [(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8)]	$	344,426,487
10.	Market Value of Assets as of June 30, 2005	$	355,686,113
11.	Preliminary Actuarial Value of Assets [(9) + ((10) – (9)) / 15]		345,177,129
12.	Maximum Actuarial Value of Assets (120% of (10))		426,823,336
13.	Minimum Actuarial Value of Assets (80% of (10))		284,548,890
14.	Final Actuarial Value of Assets {Lesser of [(12), Greater of ((11), (13))]}	$	345,177,129
15.	Actuarial Value to Market Value Ratio		97.0%

Asset Allocation*

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2005. The assets for CITY OF STOCKTON MISCELLANEOUS PLAN are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value ($ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	5.3	2.7%	0.0%
2) Total Global Fixed Income	54.3	28.0%	26.0%
3) Total Equities	124.6	64.3%	66.0%
4) Total Real Estate	9.6	5.0%	8.0%
Total Fund	193.8	100.0%	100.0%



* The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

SUMMARY OF PARTICIPANT DATA

- **SUMMARY OF VALUATION DATA**
- **DISTRIBUTION OF ACTIVE MEMBERS**
- **DISTRIBUTION OF RETIRED MEMBERS AND BENEFICIARIES**

Summary of Valuation Data

		June 30, 2004		June 30, 2005
1. Active Members				
a) Counts		1,078		1,028
b) Average Attained Age		45.48		46.24
c) Average Entry Age to Rate Plan		34.71		34.99
d) Average Years of Service		10.77		11.25
e) Average Annual Covered Pay	$	46,941	$	49,919
f) Annual Covered Payroll		50,602,143		51,317,103
g) Projected Annual Payroll for Contribution Year		55,697,935		56,484,893
h) Present Value of Future Payroll		422,850,100		425,603,440
2. Transferred Members				
a) Counts		445		456
b) Average Attained Age		46.73		45.31
c) Average Years of Service		3.03		2.92
d) Average Annual Covered Pay		63,716	$	65,514
3. Terminated Members				
a) Counts		428		469
b) Average Attained Age		43.75		43.91
c) Average Years of Service		3.89		3.62
d) Average Annual Covered Pay		33,068	$	33,945
4. Retired Members and Beneficiaries				
a) Counts		1,287		1,339
b) Average Attained Age		69.08		69.19
c) Average Annual Benefits	$	10,763	$	11,600
5. Active to Retired Ratio [1(a)/4(a)]		0.8		0.8

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Active Members

Distribution of Active Members by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	36	0	0	0	0	0	36
25-29	54	9	0	0	0	0	63
30-34	43	19	2	0	0	0	64
35-39	51	39	16	4	1	0	111
40-44	36	38	27	24	9	1	135
45-49	33	39	35	26	16	15	164
50-54	37	33	28	36	20	47	201
55-59	30	22	28	26	20	36	162
60-64	16	11	7	15	6	15	70
65 and over	11	2	2	3	2	2	22
All Ages	347	212	145	134	74	116	1028

Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	$26,667	$0	$0	$0	$0	$0	$26,667
25-29	33,374	41,801	0	0	0	0	34,577
30-34	39,545	46,805	59,549	0	0	0	42,325
35-39	47,626	47,929	55,137	49,440	67,353	0	49,058
40-44	45,836	50,370	60,881	55,017	54,070	78,062	52,541
45-49	50,508	54,342	57,126	51,753	54,090	53,087	53,615
50-54	43,886	46,610	55,352	59,699	59,602	51,494	52,105
55-59	55,604	47,974	58,374	56,487	62,779	61,145	57,305
60-64	36,127	46,715	47,188	63,002	67,588	57,540	51,941
65 and over	20,708	19,810	75,202	45,345	50,268	45,842	33,912
Average	$41,228	$48,656	$57,307	$56,437	$59,096	$55,608	$49,919

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	2	2
30-34	0	0	1	0	0	0	1
35-39	0	2	0	0	0	2	4
40-44	0	3	0	0	0	3	6
45-49	0	4	3	0	0	3	10
50-54	56	11	8	0	0	6	81
55-59	180	21	15	0	0	5	221
60-64	163	16	5	1	0	8	193
65-69	138	4	0	2	0	19	163
70-74	149	15	0	2	0	26	192
75-79	131	8	1	2	0	39	181
80-84	90	17	0	0	0	43	150
85 and Over	79	3	0	1	0	50	133
All Ages	986	104	33	8	0	206	1337

Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$3,737	$3,737
30-34	0	0	113	0	0	0	113
35-39	0	9,739	0	0	0	6,390	8,064
40-44	0	6,606	0	0	0	6,995	6,801
45-49	0	7,774	180	0	0	15,635	7,854
50-54	10,587	9,277	1,944	0	0	13,402	9,764
55-59	14,491	9,452	4,125	0	0	3,114	13,051
60-64	17,792	8,381	2,958	9,518	0	9,077	16,224
65-69	14,769	13,451	0	7,462	0	9,001	13,974
70-74	11,684	5,906	0	4,454	0	9,777	10,899
75-79	11,614	4,839	49	3,314	0	6,981	10,160
80-84	9,642	4,519	0	0	0	7,963	8,580
85 and Over	9,655	4,638	0	27	0	5,404	7,871
Average	$13,217	$7,470	$2,815	$5,001	$0	$7,606	$11,600

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	353	5	21	0	0	7	386
5-9	201	25	6	1	0	14	247
10-14	165	24	1	2	0	31	223
15-19	116	19	3	2	0	38	178
20-24	90	18	0	0	0	60	168
25-29	48	11	2	2	0	29	92
30 and Over	13	2	0	1	0	27	43
All Years	986	104	33	8	0	206	1337

Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	$16,472	$8,093	$3,673	$0	$0	$10,688	$15,562
5-9	14,314	11,499	2,427	9,518	0	10,320	13,494
10-14	12,507	8,369	581	4,454	0	10,827	11,703
15-19	9,234	6,042	156	7,462	0	9,225	8,719
20-24	8,398	3,660	0	0	0	5,739	6,941
25-29	7,213	4,904	81	3,314	0	5,654	6,206
30 and Over	7,972	6,722	0	27	0	5,667	6,282
Average	$13,217	$7,470	$2,815	$5,001	$0	$7,606	$11,600

APPENDICES

- APPENDIX A - STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS
- APPENDIX B - SUMMARY OF PRINCIPAL PLAN PROVISIONS
- APPENDIX C - GASB STATEMENT NO. 27
- APPENDIX D – GLOSSARY OF ACTUARIAL TERMS

APPENDIX A

- STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not contain information about reciprocal systems. Therefore, salary information in these cases may not be accurate. This situation is relatively infrequent, however, and when it does occur, generally does not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30 years. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which already is amortized over 30 years) will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

1) when a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

2) when there are excess assets, rather than an unfunded liability. Beginning with the June 30, 2004 valuation a 30-year fresh start is used in this situation.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the the fresh start period is set by the actuary at what he deems appropriate, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Actuarial Assumptions

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

Annual Increases vary by category, entry age, and duration of service. The assumed increases are shown below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0365	0.0365	0.0345
30	0.0325	0.0325	0.0325

Public Agency Fire

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0345
25	0.0355	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency Police

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0345
25	0.0365	0.0355	0.0335
30	0.0325	0.0325	0.0325

Public Agency County Peace Officers

Duration of Service	Entry Age 20	Entry Age 30	Entry Age 40
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0365	0.0355	0.0345
30	0.0325	0.0325	0.0325

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.00% compounded annually. This assumption is used for all plans.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those agencies that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary is increased by the Employee Contribution Rate for those agencies that have contracted for the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)

Employees hired prior to July 1, 1982 have projected benefit amounts increased in order to reflect the use of "Best Factors" in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

Demographic Assumptions

Pre-Retirement Mortality

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
Age	Male	Female	Male and Female
20	0.00019	0.00009	0.00003
25	0.00027	0.00014	0.00007
30	0.00038	0.00021	0.00010
35	0.00054	0.00031	0.00013
40	0.00077	0.00046	0.00017
45	0.00110	0.00068	0.00020
50	0.00156	0.00102	0.00023
55	0.00221	0.00151	0.00027
60	0.00314	0.00226	0.00030

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement and gender. See sample rates in table below. These rates are used for all plans.

	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
Age	Male	Female	Male	Female	Male	Female
50	0.00245	0.00136	0.01459	0.01129	0.00546	0.00388
55	0.00429	0.00253	0.02115	0.01481	0.00616	0.00568
60	0.00721	0.00442	0.02870	0.01884	0.01016	0.00818
65	0.01302	0.00795	0.03617	0.02356	0.01853	0.01214
70	0.02135	0.01276	0.04673	0.03020	0.03369	0.01760
75	0.03716	0.02156	0.06552	0.04298	0.05768	0.02774
80	0.06256	0.03883	0.09481	0.06514	0.08670	0.04690
85	0.10195	0.07219	0.14041	0.10269	0.13032	0.08262
90	0.17379	0.12592	0.20793	0.16189	0.19588	0.13984
95	0.25917	0.21773	0.30792	0.25522	0.29444	0.23566
100	0.34724	0.32036	0.45599	0.40236	0.44259	0.35341

Marital Status

For active members, a percentage married upon retirement is assumed according to the following table.

Member Category	Percent Married
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members

It is assumed that members refund immediately if non-vested, retire immediately if eligible, or retire at the earliest retirement age if not eligible.

Termination with Refund

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1760	0.1691	0.1622	0.1553	0.1483	0.1414
1	0.1561	0.1492	0.1423	0.1353	0.1284	0.1215
2	0.1362	0.1293	0.1224	0.1154	0.1085	0.1016
3	0.1163	0.1094	0.1025	0.0955	0.0886	0.0817
4	0.0964	0.0895	0.0826	0.0756	0.0687	0.0618
5	0.0283	0.0257	0.0232	0.0206	0.0181	0.0155
10	0.0184	0.0161	0.0139	0.0117	0.0095	0.0073
15	0.0120	0.0102	0.0083	0.0064	0.0046	0.0027
20	0.0073	0.0057	0.0041	0.0025	0.0009	0.0002
25	0.0034	0.0022	0.0009	0.0002	0.0002	0.0002
30	0.0010	0.0002	0.0002	0.0002	0.0002	0.0002

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.0947	0.1299	0.1072
1	0.0739	0.0816	0.0841
2	0.0531	0.0348	0.0609
3	0.0323	0.0331	0.0470
4	0.0290	0.0314	0.0445
5	0.0095	0.0110	0.0156
10	0.0029	0.0068	0.0096
15	0.0021	0.0035	0.0048
20	0.0016	0.0022	0.0022
25	0.0010	0.0015	0.0010
30	0.0009	0.0012	0.0006

The Police Termination and Refund rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Termination with Vested Benefits

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0482	0.0439	0.0395	0.0351	0.0307
10	0.0390	0.0343	0.0296	0.0249	0.0000
15	0.0326	0.0274	0.0224	0.0000	0.0000
20	0.0245	0.0192	0.0000	0.0000	0.0000
25	0.0156	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0187	0.0265
10	0.0061	0.0145	0.0204
15	0.0058	0.0094	0.0130
20	0.0053	0.0075	0.0074
25	0.0047	0.0067	0.0043
30	0.0045	0.0064	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Non-Industrial (Not Job-Related) Disability
Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans.

	Miscellaneous		Fire	Police	County Peace Officer
Age	Male	Female	Male and Female	Male and Female	Male and Female
20	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0002	0.0002	0.0001	0.0001	0.0001
30	0.0002	0.0004	0.0001	0.0002	0.0001
35	0.0008	0.0010	0.0001	0.0003	0.0002
40	0.0015	0.0016	0.0001	0.0004	0.0003
45	0.0024	0.0023	0.0002	0.0005	0.0004
50	0.0037	0.0035	0.0005	0.0008	0.0007
55	0.0049	0.0041	0.0010	0.0013	0.0012
60	0.0055	0.0039	0.0015	0.0020	0.0019

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability
Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0006	0.0002
25	0.0010	0.0028	0.0012
30	0.0021	0.0056	0.0025
35	0.0031	0.0084	0.0037
40	0.0041	0.0112	0.0050
45	0.0051	0.0140	0.0062
50	0.0062	0.0167	0.0075
55	0.0601	0.0581	0.0128
60	0.0601	0.0581	0.0128

- The Police Industrial Disability rates are used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous Plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Service Retirement

Public Agency Miscellaneous 2% @ 60

Age	Duration of Service 5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0085	0.0120	0.0146	0.0165	0.0184	0.0206
51	0.0059	0.0082	0.0100	0.0113	0.0126	0.0142
52	0.0092	0.0129	0.0157	0.0178	0.0198	0.0222
53	0.0104	0.0146	0.0177	0.0200	0.0224	0.0251
54	0.0109	0.0154	0.0187	0.0211	0.0236	0.0264
55	0.0198	0.0279	0.0339	0.0383	0.0427	0.0479
56	0.0181	0.0254	0.0308	0.0348	0.0389	0.0436
57	0.0208	0.0292	0.0354	0.0400	0.0447	0.0501
58	0.0262	0.0368	0.0447	0.0505	0.0564	0.0632
59	0.0335	0.0471	0.0572	0.0646	0.0721	0.0809
60	0.0615	0.0865	0.1051	0.1187	0.1325	0.1485
61	0.0628	0.0883	0.1073	0.1212	0.1353	0.1517
62	0.1258	0.1767	0.2147	0.2426	0.2708	0.3036
63	0.1263	0.1775	0.2156	0.2436	0.2720	0.3049
64	0.0972	0.1366	0.1659	0.1875	0.2093	0.2346
65	0.1731	0.2432	0.2955	0.3339	0.3727	0.4178
66	0.0946	0.1330	0.1616	0.1825	0.2038	0.2284
67	0.1272	0.1787	0.2171	0.2453	0.2738	0.3069

Public Agency Miscellaneous 2% @ 55

Age	Duration of Service 5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0145	0.0184	0.0224	0.0269	0.0307	0.0366
51	0.0106	0.0135	0.0164	0.0198	0.0226	0.0269
52	0.0114	0.0145	0.0176	0.0212	0.0241	0.0287
53	0.0150	0.0190	0.0231	0.0278	0.0318	0.0378
54	0.0199	0.0252	0.0307	0.0369	0.0421	0.0502
55	0.0475	0.0604	0.0734	0.0883	0.1008	0.1200
56	0.0395	0.0502	0.0611	0.0735	0.0838	0.0998
57	0.0427	0.0542	0.0659	0.0793	0.0905	0.1078
58	0.0473	0.0601	0.0730	0.0879	0.1003	0.1194
59	0.0510	0.0648	0.0788	0.0948	0.1082	0.1287
60	0.0715	0.0908	0.1104	0.1328	0.1516	0.1804
61	0.0715	0.0908	0.1104	0.1328	0.1516	0.1805
62	0.1275	0.1620	0.1969	0.2369	0.2704	0.3219
63	0.1287	0.1636	0.1988	0.2392	0.2731	0.3250
64	0.0931	0.1182	0.1438	0.1729	0.1974	0.2350
65	0.1738	0.2209	0.2686	0.3231	0.3688	0.4390
66	0.1085	0.1378	0.1675	0.2016	0.2301	0.2739
67	0.1109	0.1409	0.1713	0.2061	0.2353	0.2801

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Public Agency Miscellaneous 2.5% @ 55, 2.7% @ 55, 3% @ 60

	2.5% @ 55		2.7% @ 55		3% @ 60	
Age	Male	Female	Male	Female	Male	Female
50	0.05000	0.07000	0.05000	0.07000	0.05000	0.07000
51	0.02000	0.05000	0.02000	0.05000	0.02000	0.05000
52	0.03000	0.05000	0.03000	0.05000	0.03000	0.05000
53	0.03000	0.05000	0.03000	0.06000	0.03000	0.05000
54	0.04000	0.05000	0.04000	0.06000	0.04000	0.05000
55	0.08000	0.09000	0.09000	0.10000	0.08000	0.09000
56	0.06000	0.07000	0.07000	0.08000	0.07000	0.08000
57	0.07000	0.06000	0.08000	0.07000	0.08000	0.07000
58	0.08000	0.10000	0.08000	0.10000	0.09000	0.11000
59	0.09000	0.09000	0.10000	0.09000	0.11000	0.10000
60	0.16000	0.12000	0.17000	0.13000	0.19000	0.15000
61	0.15000	0.10000	0.16000	0.11000	0.17000	0.12000
62	0.26000	0.21000	0.28000	0.23000	0.31000	0.25000
63	0.22000	0.18000	0.23000	0.20000	0.26000	0.22000
64	0.15000	0.13000	0.16000	0.14000	0.18000	0.16000
65	0.25000	0.25000	0.27000	0.27000	0.30000	0.30000
66	0.14000	0.15000	0.15000	0.16000	0.17000	0.18000
67	0.12000	0.14000	0.13000	0.16000	0.14000	0.17000
68	0.12000	0.11000	0.13000	0.12000	0.15000	0.13000
69	0.09000	0.13000	0.10000	0.14000	0.11000	0.15000
70	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

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Public Agency Police 2%@ 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402
52	0.0262	0.0262	0.0262	0.0262	0.0480	0.0855
53	0.0523	0.0523	0.0523	0.0523	0.0957	0.1706
54	0.0697	0.0697	0.0697	0.0697	0.1275	0.2274
55	0.0899	0.0899	0.0899	0.0899	0.1645	0.2932
56	0.0638	0.0638	0.0638	0.0638	0.1166	0.2079
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2%@50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0173	0.0173	0.0173	0.0173	0.0267	0.0400
53	0.0465	0.0465	0.0465	0.0465	0.0716	0.1072
54	0.0638	0.0638	0.0638	0.0638	0.0983	0.1471
55	0.0868	0.0868	0.0868	0.0868	0.1336	0.2000
56	0.0779	0.0779	0.0779	0.0779	0.1200	0.1796
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0024	0.0024	0.0024	0.0035	0.0055	0.0065
51	0.0048	0.0048	0.0048	0.0070	0.0110	0.0128
52	0.0147	0.0147	0.0147	0.0215	0.0339	0.0396
53	0.0425	0.0425	0.0425	0.0621	0.0979	0.1142
54	0.0567	0.0567	0.0567	0.0828	0.1306	0.1523
55	0.0915	0.0915	0.0915	0.1337	0.2109	0.2459
56	0.0811	0.0811	0.0811	0.1184	0.1868	0.2178
57	0.0996	0.0996	0.0996	0.1455	0.2295	0.2676
58	0.0814	0.0814	0.0814	0.1189	0.1874	0.2185
59	0.0775	0.0775	0.0775	0.1131	0.1784	0.2080
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency Police 3% @ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% @ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091
52	0.0693	0.0693	0.0693	0.0967	0.1377	0.1630
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848
57	0.1010	0.1010	0.1010	0.1411	0.2010	0.2378
58	0.1184	0.1184	0.1184	0.1652	0.2354	0.2786
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX B

- SUMMARY OF PRINCIPAL PLAN PROVISIONS

Case 12-32118 Filed 04/21/14 Doc 1393

SUMMARY OF BENEFITS: COVERAGE GROUP 70001

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

RETIREMENT PROGRAM

Service Retirement

Eligibility
A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor, years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **2% at 55 Miscellaneous** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	2% at 55 Miscellaneous Factor
50	1.426%
51	1.522%
52	1.628%
53	1.742%
54	1.866%
55	2.000%
56	2.052%
57	2.104%
58	2.156%
59	2.210%
60	2.262%
61	2.314%
62	2.366%
63 & Up	2.418%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are not covered by Social Security. The final compensation is not offset by a dollar amount.

- The Service Retirement benefit is not capped.

Vested Deferred Retirement

Eligibility for Deferred Status
A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, and has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits
The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit
The Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Post-Retirement Death Benefit

Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

For retirement allowances with respect to service earned by employment in this group, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, *without* a reduction in the retiree's allowance. This additional benefit is often referred to as *post retirement survivor allowance* (PRSA) or simply as *survivor continuance.*

In other words, 50% of the allowance, the *continuance portion,* is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime.

The remaining portion of the retirement allowance, which may be referred to as the *option portion* of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this *option portion* to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired

on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 5%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.
The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $0.
The percent contributed above the monthly compensation breakpoint is 7%.

Employer Paid Member Contributions (EPMC)

Through the collective bargaining process, the employer, who has agreed to pay the employee contributions for this group, will stop paying these contributions during the final compensation period and instead increase the pay of the members by 7%. This will result in a higher average monthly pay for the purpose of computing the member's retirement allowance.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

1959 Survivor Benefit Fourth Level

This benefit is not included in the results presented earlier in this valuation. For more information on this benefit go to the CalPERS website at www.calpers.ca.gov.

SUMMARY OF BENEFITS: COVERAGE GROUP 70002

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

RETIREMENT PROGRAM

Service Retirement

Eligibility
A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **2% at 55 Miscellaneous** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	2% at 55 Miscellaneous Factor
50	1.426%
51	1.522%
52	1.628%
53	1.742%
54	1.866%
55	2.000%
56	2.052%
57	2.104%
58	2.156%
59	2.210%
60	2.262%
61	2.314%
62	2.366%
63 & Up	2.418%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are covered by Social Security. The benefit is referred to as being "modified" because the final compensation is offset by $133.33 (or by one third if the final compensation is less than $400).

- The Service Retirement benefit is not capped.

Vested Deferred Retirement

Eligibility for Deferred Status

A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, and has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit

The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit

The Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Post-Retirement Death Benefit

Lump Sum Payment

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Form of Payment for Retirement Allowance

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

For retirement allowances with respect to service earned by employment in this group, 25% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, *without* a reduction in the retiree's allowance. This additional benefit is often referred to as *post retirement survivor allowance* (PRSA) or simply as *survivor continuance.*

In other words, 25% of the allowance, the *continuance portion*, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime.

The remaining portion of the retirement allowance, which may be referred to as the *option portion* of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this *option portion* to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired

on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 5%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $133.33.
The percent contributed above the monthly compensation breakpoint is 7%.

Employer Paid Member Contributions (EPMC)

Through the collective bargaining process, the employer, who has agreed to pay the employee contributions for this group, will stop paying these contributions during the final compensation period and instead increase the pay of the members by 7%. This will result in a higher average monthly pay for the purpose of computing the member's retirement allowance.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

SUMMARY OF BENEFITS: COVERAGE GROUP 70401

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

RETIREMENT PROGRAM

Service Retirement

Eligibility
A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **2% at 60** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	2% at 60 Factor
50	1.092%
51	1.156%
52	1.224%
53	1.296%
54	1.376%
55	1.460%
56	1.552%
57	1.650%
58	1.758%
59	1.874%
60	2.000%
61	2.134%
62	2.272%
63 & Up	2.418%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are covered by Social Security. The benefit is referred to as being "modified" because the final compensation is offset by $133.33 (or by one third if the final compensation is less than $400).

- The Service Retirement benefit is not capped.

Vested Deferred Retirement

Eligibility for Deferred Status
A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, and has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits
The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit
The Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Post-Retirement Death Benefit

Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.
The monthly compensation breakpoint is $133.33.
The percent contributed above the monthly compensation breakpoint is 7%.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

SUMMARY OF BENEFITS: COVERAGE GROUP 70402

The following is a summary of the major plan provisions used in calculating the liabilities of the plan. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

RETIREMENT PROGRAM

Service Retirement

Eligibility
A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit
The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **2% at 60** benefit factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	2% at 60 Factor
50	1.092%
51	1.156%
52	1.224%
53	1.296%
54	1.376%
55	1.460%
56	1.552%
57	1.650%
58	1.758%
59	1.874%
60	2.000%
61	2.134%
62	2.272%
63 & Up	2.418%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The employees in this group are not covered by Social Security. The final compensation is not offset by a dollar amount.

- The Service Retirement benefit is not capped.

Vested Deferred Retirement

Eligibility for Deferred Status
A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, and has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits
The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit
The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility
A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Benefit
The Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:
- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Post-Retirement Death Benefit

Lump Sum Payment
Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility
An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Benefit
The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility
An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Benefit
The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Cost-of-Living Adjustments

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.
The percent contributed below the monthly compensation breakpoint is 0%.

The monthly compensation breakpoint is $0.
The percent contributed above the monthly compensation breakpoint is 7%.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

1959 Survivor Benefit Fourth Level

This benefit is not included in the results presented earlier in this valuation. For more information on this benefit go to the CalPERS website at www.calpers.ca.gov.

APPENDIX C

- **GASB STATEMENT NO. 27**

MISCELLANEOUS PLAN of the CITY OF STOCKTON Information for Compliance with GASB Statement No. 27

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate for the indicated period is 16.605% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2007 to June 30, 2008. The employer and the employer's auditor are responsible for determining the NPO and the APC.

Note: If an agency elects the Annual Lump Sum Prepayment Option, the ARC for the period July 1, 2007 through June 30, 2008 is $9,035,551 plus the contribution, if any, for the 1959 Survivor Program.

A summary of principal assumptions and methods used to determine the ARC is shown below.

	Retirement Program
Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	27 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/03	$ 344,933,214	$ 305,878,921	$ 39,054,293	88.7%	$ 54,241,063	72.0%
06/30/04	366,460,118	321,947,380	44,512,738	87.9%	50,602,143	88.0%
06/30/05	393,457,559	345,177,129	48,280,430	87.7%	51,317,103	94.1%

APPENDIX D

- GLOSSARY OF ACTUARIAL TERMS

Glossary of Actuarial Terms

Accrued Liability
The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Methods
Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation
The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets
The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases
Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in liability (principal) due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period
The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)
The employer's periodic required annual contributions to a defined benefit pension plan, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is age of the member on their date of hire.

Entry Age Normal Cost Method
An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Excess Assets
When a plan's actuarial value of assets is greater than its accrued liability, the difference is the plan's excess assets. A plan with excess assets is said to be overfunded. The result of having excess assets is that the plan may temporarily reduce future contributions.

Fresh Start
When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, a fresh start is used to avoid inconsistencies that would otherwise occur.

Funded Status
A measure of how well funded a plan is. Or equivalently, how "on track" a plan is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the actuarial value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

Lump Sum Contribution
A payment made by the employer to reduce or eliminate the unfunded liability.

Normal Cost
The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long term contribution rate.

Pension Actuary
A person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution
A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits
The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Rolling Amortization Period
An amortization period that remains the same each year, or does not decline.

Superfunded
A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability
A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.

Exhibit E

COPY

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Attorneys for City of Stockton,
Plaintiff

Filed 1-3-07
ROSA JUNQUEIRO, CLERK
By FRANCINE SMITH
DEPUTY

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN JOAQUIN

UNLIMITED CIVIL JURISDICTION

CITY OF STOCKTON, Plaintiff, vs. ALL PERSONS INTERESTED IN THE MATTER OF THE ISSUANCE AND SALE OF BONDS FOR THE PURPOSE OF REFUNDING CERTAIN OBLIGATIONS OWED BY THE CITY OF STOCKTON TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER THE PUBLIC EMPLOYEES' RETIREMENT LAW, AND ALL PROCEEDINGS LEADING THERETO, INCLUDING THE ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SUCH BONDS, Defendants.	No. CV030753 [redacted] JUDGMENT [Fee Exemption: Govt. Code § 6103]

The motion of Plaintiff, City of Stockton, for a default judgment having come before the Court, and the Court having reviewed the Memorandum of Points and Authorities In Support of Plaintiff's Application For Default Judgment, the Declarations in support thereof and the papers on file in this action, and good cause appearing therefor;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

(1) this action is properly brought pursuant to §860 *et seq.* of the Code of Civil Procedure, and §53510 *et seq.* and §53589.5 of the Government Code;

(2) all proceedings by and for Plaintiff in connection with the Resolution, the Bonds and the refunding of the City's obligation, evidenced by the PERS Contract, to pay the Unfunded Liability, and any related contracts or agreements approved by the Resolution or contemplated by the City Council of the City in connection with the issuance of the Bonds and the refunding of the City's obligation, evidenced by the PERS Contract, to pay the Unfunded Liability, were and are valid, legal and binding obligations in accordance with their terms, and were and are in conformity with the applicable provisions of all laws in force or controlling upon such proceedings, whether imposed by law, constitution, statute or ordinance, and whether state or municipal, including but not limited to the provisions of Article XVI, Section 18, of the California Constitution;

(3) all conditions, things and acts required by law to exist, happen or be performed precedent to the adoption of the Resolution, and the terms and conditions thereof, and including

the authorization for the issuance of the Bonds and the execution and delivery of all related contracts or agreements approved by the Resolution or contemplated by the City Council of the City in connection with the issuance of the Bonds, have existed, happened and been performed in the time, form and manner required by law;

(4) the City has the authority under California law to issue the Bonds and to execute and deliver the Indenture and all contracts and agreements related thereto;

(5) the City has the authority under California law to provide for the refunding of its obligations, by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its obligations to the Retirement System for the Unfunded Liability, as evidenced by the PERS contract;

(6) the City will be obligated to satisfy its obligations under the Bonds from any generally available funds in the City treasury, and the City Council of the City will be obligated to make all annual appropriations of such funds as may be required to satisfy its annual obligations under the Bonds;

(7) the PERS Contract and the Bonds, and all agreements related thereto, are exempt from and not subject to the debt limitations set forth in Article XVI, Section 18, of the California Constitution;

(8) the PERS Contract and the Bonds (and all contracts and agreements related thereto) are obligations imposed by law;

(9) the Bonds and any and all contracts and agreements executed and delivered in connection therewith are valid and

binding obligations under the Constitution and laws of the State of California;

(10) the City's incurrence of any and all indebtedness and/or liability in connection with the Bonds (and all contracts and agreements related thereto) is exempt from and not subject to the debt limitations set forth in Article XVI, Section 18, of the California Constitution; and

(11) The institution by any person of any action or proceeding raising any issue as to which this judgment is binding and conclusive (which includes all matters herein adjudicated or which at the time of this judgment could have been adjudicated), against the Plaintiff and against all other persons is hereby permanently enjoined.

Judgment is hereby entered in favor of the Plaintiff, City of Stockton.

Dated: 1-3-07

LESLEY D. HOLLAND

Judge of the Superior Court

Exhibit F

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re: Connector 2000 Association, Inc., Debtor.	Case No. 10-04467-dd Chapter 9

MEMORANDUM IN SUPPORT OF CONFIRMATION OF THE FIRST AMENDED PLAN FOR ADJUSTMENT OF DEBTS

Connector 2000 Association, Inc. (the "Debtor") submits this memorandum (the "Memorandum") for an order confirming Debtor's First Amended Plan for Adjustment of Debts, as modified and amended (the "Plan") pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"),[1] and specifically including section 943 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the District of South Carolina Local Bankruptcy Rules. While Debtor submits this Memorandum prior to the March 16, 2011 deadline for parties to file objections to confirmation of the Plan, Debtor reserves the right to amend, modify and/or supplement this Memorandum at any time and in any respect, including, without limitation, for the purpose of (i) responding to any objections filed;[2] and (ii) providing further evidence and arguments in support of confirmation of the Plan.

Debtor respectfully represents as follows:

BACKGROUND

1. On June 24, 2010 (the "Petition Date"), Debtor filed its voluntary petition for relief under Chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the

[1] Further references to the Bankruptcy Code (11 U.S.C. §§ 101 et seq.) may be by section number only.

[2] Debtor is in receipt of a letter dated March 2, 2011 addressed directly to the Honorable David R. Duncan from a bondholder objecting to the Plan. Debtor will respond by separate pleading to this correspondence.

With respect to section 942, on March 16, 2011, Debtor filed a modification to the Plan ("Modification") to make certain conforming and typographical changes to the Plan as specifically outlined in the Modification [Docket Nos. 128, 129].[8] The Plan, as modified by the Modification, meets the requirements of chapter 9; and thus section 942 is satisfied.

3. Debtor has Disclosed Payments for Services and Expenses to be Paid pursuant to § 943(b)(3).

Section 943(b)(3) requires that all amounts to be paid by the Debtor or other persons for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable. As set forth in section (5) hereinbelow and in the Disclosure Statement, Debtor has been paying its administrative expenses in the case on a current basis and any open amounts are expected to be paid within 10 days of the Effective Date of the Plan. Debtor and Trustee have been currently paying amounts due to their service providers and professionals during the pendency of the case from funds in the Revenue Fund (and/or the Debt Service Reserve Fund in the case of certain Trustee amounts). Because the foregoing amounts have been kept current, the only open amounts expected to be paid as of confirmation will be amounts due because of administrative lag time (which amounts are to be determined) and amounts to be paid incident to the issuance of the Amended and Restated Bonds and the related actions incident to effectuating the Plan (set forth on Exhibit D). Assuming the Plan is confirmed, the additional amounts shown on Exhibit D will be paid or reimbursed incident to the Plan in connection with confirmation and the transactions contemplated by the Plan, including exchange of the Bonds for the Amended and Restated Bonds. Debtor believes that the foregoing amounts are reasonable and necessary to

[8] Subsequent to the filing of the Modification, counsel for Lehman Brothers requested conforming change be made to the relevant provisions of the Plan incorporating the settlement. Upon entry of the Order Approving Settlement, Debtor will file a modification to the Plan to incorporate the settlement.

effectuate the Plan and reorganization in this complex case, and that Section 943(b)(3) is satisfied.

4. Debtor is Authorized to Take Actions Proposed in the Plan as Required by § 943(b)(4).

Section 943(b)(4) prevents the court from confirming any plan that requires the debtor to take any action prohibited by law. On January 19, 2011, the Board of Directors of Debtor adopted a resolution authorizing Debtor to do the acts authorized and directed to effect the consummation of the adjustment of Debtor's debts as provided in the Plan, including issuing and delivering the Amended and Restated Bonds, executing the New License Agreement, and executing the Amended Trust Indenture. A copy of this Resolution is attached hereto as Exhibit E.[9] Additionally, Debtor requested that the Commission approve the issuance and delivery of the Amended and Restated Bonds to allow the interest on the Amended and Restated Bonds to be excluded from gross income for federal income tax purposes, which the Commission approved by Resolution dated February 17, 2011. *See* Exhibit C. Debtor is not prohibited by law from taking any action necessary to carry out the Plan. The Plan is necessary for Debtor to adjust its debts, has the requisite approvals, and does not provide for Debtor to take any actions prohibited by law.

5. All Administrative Claims have been Paid as Required by § 943(b)(5).

As another confirmation requirement, section 943(b)(5) provides that the Court must determine that the Plan provides for the payment in full of all claims entitled to administrative expense priority. Throughout the course of the Chapter 9 Case, Debtor has endeavored to satisfy administrative expenses as they became due. Accordingly, Debtor believes that all Claims that

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[9] Debtor anticipates an amended Resolution to be approved to correct the maturity values of the Amended and Restated Bonds as listed in the Whereas clause of the Resolution.

otherwise would constitute Allowed Administrative Claims previously have been or will be satisfied in the ordinary course of business prior to or within ten (10) days of the Effective Date of the Plan, by Debtor unless such Claim or Claims are not yet an Allowed Claim(s) by order of the Court where required. Debtor expects to pay certain administrative expenses and/or professional fees and costs of Debtor or Trustee due under the Original Trust Indenture from funds held by the Trustee in the Revenue Fund, the Debt Service Fund and the Debt Service Reserve Fund securing the Original Bonds. The balance of available funds remaining in such Funds after payment of these expenses and any escrows related to unresolved claims as determined by the Senior Bonds Trustee will be transferred to the Debt Service Reserve Fund securing the Amended and Restated Bonds, as further set forth in the Amended Trust Indenture.

6. SCDOT Has Expressly Approved the Plan Settlement and New License Agreement Satisfying § 943(b)(6).

Section 943(b)(6) requires regulatory approval for any action to be taken under the plan that would require such approval in the absence of the chapter 9 case. As described above, on December 1, 2010, the Commission entered a resolution approving the terms of a settlement agreement on various issues. Thereafter, on December 2, 2010, the Commission amended their December 1, 2010 action, to provide authorization to the Secretary of Transportation to take the actions necessary to implement the settlement agreement reached, which terms are embodied in the Plan. *See* Exhibit B. Additionally, on February 17, 2011, the Commission entered a resolution approving the issuance and delivery of Amended and Restated Bonds and approving the execution and delivery of the New License Agreement by the SCDOT to Debtor subject to the Plan being confirmed by a final order. *See* Exhibit C.

EXHIBIT D

(Amounts to be Paid Incident to Effectuating Plan)

PAYEE[1]	AMOUNT TO BE PAID[2]
Ballard Spahr, LLP (counsel to Senior Bonds Trustee)	$28,500.00[3]
Causey Demgen & Moore Inc. (Debtor's Verification Agent)	$10,500.00[4]
Confirmation Hearing Witness Fees/Expense (Debtor's witnesses)	$37,500.00[5]
Epiq Bankruptcy Solutions, LLC (Debtor's Solicitation Agent)	$52,800.00[6]
Haynsworth Sinkler Boyd, LLP-Bond Counsel Closing Fees (Debtor's counsel)	$240,000.00[7]
Haynsworth Sinkler Boyd, LLP-Chapter 9 Advice and Counsel (Debtor's counsel)	$85,000.00[8]
HSBC Bank, USA (Subordinate Bonds Trustee)	$10,000.00[9]
Holland & Knight LLP (counsel to Senior Bonds Trustee)	$117,141.00[10]

[1] Payees are comprised of the Debtor's advisors and the Trustee and Subordinate Bond Trustee and their advisors.
[2] Some of the amounts listed herein contain estimates payees will be owed based on fees and expenses for ongoing services which have not yet been billed, incurred or determined as of the date hereof. Hourly professional fees as estimated will vary depending upon the time and services actually required.
[3] Reflects fees and expenses for February 2011 services rendered and estimates fees in the amount of $12,000 for March 2011 and $6,000 for April 2011.
[4] Reflects estimation of fees and expenses to be incurred from March 1, 2011 through closing of the Amended and Restated Bonds.
[5] Reflects fees and expenses for services rendered and estimates fees and costs to be incurred from March 1, 2011 through confirmation hearing on March 25, 2011.
[6] Reflects fees and expenses for services rendered and estimates fees and costs to be incurred from March 1, 2011 through confirmation hearing on March 25, 2011.
[7] Fixed Fee reflecting unbilled work incurred to date in preparation for bond closing, plus bond counsel opinion letters, tax opinion letters, and customary and ordinary fees associated with issuance of the tax free bonds.
[8] Reflects fees and expenses for February 2011 services rendered and estimates fees in the amount of $45,000.00 for March 2011 and $25,000 for April 2011.
[9] Reflects fees and expenses for February 2011 services rendered and estimates fees in the amount of $5,000 for March 2011 and $5,000 for April 2011.
[10] Reflects fees and expenses for February 2011 services rendered and estimates fees in the amount of $60,000 for March 2011 and $40,000 for April 2011.

Kramer Levin Naftalis & Frankel, LLP (counsel to Senior Bonds Trustee)	$80,948.72[11]
Macquarie Capital (USA), Inc. (Financial Advisor to Senior Bonds Trustee)	$428,333.00[12]
McNair Law Firm, P.A. (counsel to Senior Bonds Trustee)	$173,516.68[13]
Nixon Peabody, LLP (counsel Subordinate Bonds Trustee)	$87,853.40[14]
Southern Municipal Advisors (Debtor's financial advisor)	$15,000.00[15]
U.S. Bank, N.A. (Senior Bonds Trustee)	$224,610.00[16]
Wyche, Burgess, Freeman & Parham, P.A. (counsel to Board of Directors of Debtor)	$19,000.00[17]
Total	$1,610,702.80

[11] Reflects fees and expenses for February 2011 services rendered and estimates fees in the amount of $40,000 for March 2011 and $20,000 for April 2011.

[12] Reflects balance due to Macquarie for Restructuring Success Fee after credit for total monthly fees paid through March 2011 per Macquarie's engagement letter with Trustee counsel. If any subsequent monthly fee is paid to Macquarie, the balance payable to Macquarie would be further reduced by such amount.

[13] Reflects fees and expenses for February 2011 services rendered and estimates fees in the amount of $115,000 for March 2011 and $40,000 for April 2011.

[14] This amount includes an estimate of fees and expenses in the amount of $2,000 for February 2011, $27,000 for March 2011, and $10,000 for April 2011. In addition, this amount includes previously unpaid invoices. Invoices are still being reconciled and are subject to continuing review and verification.

[15] Reflects estimation of fees and expenses to be incurred from March 1, 2011 through closing of the Amended and Restated Bonds.

[16] Includes 4th Quarter 2010 fees in the amount of $74,610 and estimated 1st Quarter 2011 fees in the amount of $75,000. In addition, this amount includes an estimate of 2nd Quarter fees in the amount of $75,000. Upon issuance of the Amended and Restated Bonds, U.S. Bank also will be engaged to serve as the New Trustee and will be paid fees and expenses pursuant to a fee letter to be finalized between U.S. Bank and the Debtor, including acceptance, per series, exchange agent, and extraordinary fees per the final fee letter.

[17] Reflects estimation of fees and expenses to be incurred from March 1, 2011 through closing of the Amended and Restated Bonds.

Exhibit G

Message

From: Gallegos, Lisa [/O=MESSAGING/OU=SMO/CN=RECIPIENTS/CN=LGALLEG]
Sent: 9/23/2013 11:02:43 PM
To: Johnston, Jennifer [/O=MESSAGING/OU=SMO/cn=Recipients/cn=jjohnst]
CC: Coleman, Stacey Johnston [/O=MESSAGING/OU=SMO/cn=Recipients/cn=SJohnst]
Subject: RE: Stockton heads up

Jennifer – be great if we could start a draft of a statement on this – we may not want to say much if we are the midst of negotiations but good to have something drafted and to have the exact context of how much exposure we have (I believe it is less half a percent when looking at funds that hold it but can we get the publicly disclosed figures on that?)

Also, is Chris Franta in the loop on this?

Based on our discussions – below is a rough first stab – send us your thoughts and then we can route to Sheila, Raf, Tom and Chris – with a sign off from Legal.

DRAFT STATEMENT for press:

We cannot comment in detail related to our investments in Stockton as we are still in the middle of negotiations. We can confirm that as of xxx we held XX of uninsured Stockton bonds which we held in X fund and X fund, representing less than 0.20% of our fund holdings. While this investment does not represent a significant position in any one of our municipal bond funds, it is our fiduciary responsibility to ensure that our fund investors are protected and we will work diligently toward that ensuring that happens.

Thanks
Lisa

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From: Johnston, Jennifer
Sent: Monday, September 23, 2013 3:53 PM
To: Gallegos, Lisa
Cc: Walsh, Tom; Costas, Rafael; Amoroso, Sheila; Coleman, Stacey Johnston
Subject: RE: Stockton heads up

I would expect that we will get the plan first with the public announcement to follow soon after. I would guess within a few hours. I'll let you guys know as soon as we know.

Jen

Jennifer L. Johnston
VP/Analyst-Municipal Bonds
Franklin Templeton Investments
p. 650-312-3675
800-632-2350 x23675
f. 650-312-5926
e. jjohnston@frk.com

Sent with Good (www.good.com)

-----Original Message-----
From: Gallegos, Lisa
Sent: Monday, September 23, 2013 02:18 PM Pacific Standard Time
To: Johnston, Jennifer
Cc: Walsh, Tom; Costas, Rafael; Amoroso, Sheila; Coleman, Stacey Johnston
Subject: RE: Stockton heads up

Thanks Jennifer – can you keep Stacey Coleman in the loop as well – she will likely end up taking lead on any related media activity on this issue. Do you expect Stockton to issue a public announcement or will initial "plan" be communicated more directly to stakeholders?

Thanks
Lisa

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From: Johnston, Jennifer
Sent: Monday, September 23, 2013 2:13 PM
To: Gallegos, Lisa
Cc: Walsh, Tom; Costas, Rafael; Amoroso, Sheila
Subject: Stockton heads up

Hi Lisa,

As we discussed generally last week, we expect Stockton will release their Plan of Adjustment in the next few weeks. It actually could come as early as tomorrow. While we don't know for sure what the Plan will entail, the city's attorneys have referred to it in the past as a "cramdown" plan. [redacted] At this point we just don't know, but I just wanted to give you a heads up as there is likely to be a lot of press around it.

I will be sure to let you know as soon as we hear anything and I can of course discuss it with you in more depth.

Thanks,

Jen

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